

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Huron County	County Huron County
Fiscal Year End December 31, 2006	Opinion Date June 6, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) <i>Single Audit</i>	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P.C.		Telephone Number 989-269-9541	
Street Address 1242 Sand Beach Road		City Bad Axe	State MI
Zip 48413			
Authorizing CPA Signature <i>Donald P. Kuzak</i>	Printed Name Donald P. Kuzak	License Number 1101007059	

**HURON COUNTY
BAD AXE, MICHIGAN**

**FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2006**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of Huron County
Bad Axe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huron County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following funds and component units included in the basic financial statements of Huron County.

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	8.82%	29.73%
Huron Transit Funds	Business type activities	15.04%	11.54%
Discretely presented:			
Road Commission	Component units	47.30%	56.87%
Drain Funds	Component units	8.92%	32.32%
Huron Behavioral Health	Component units	33.44%	4.81%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued a report dated June 6, 2007, on our consideration of Huron County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards**, and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11, schedule of funding progress and budgetary comparison on pages 68 through 78 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huron County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hyper, Hill, Hugel & Co., P.C.

Certified Public Accountants

June 6, 2007

As management of the County of Huron, Michigan, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and footnotes.

Financial Highlights

- The assets of the County exceeded its liabilities by \$36,262,534 at December 31, 2006. This includes \$19,789,063 which may be used to meet the County's ongoing obligations to citizens and creditors. The total net assets increased by approximately \$3,901,000 due in part to the accelerated recognition of property tax revenues as mandated by Public Act 357 of 2004.
- The general fund experienced a surplus of \$470,000 for the year, due in part to the efforts of department heads to control and monitor expenditures which increased only 1.37% over 2005 amounts.
- The County's total debt decreased by \$329,864 during 2006.
- The Board of Commissioner's adopted the General Fund's 2007 budget. The budget was balanced with no appropriation from fund balance.

Overview of the Financial Statements

The County's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, economic development and recreation and cultural. The business type activities of the County include the Medical Care Facility, Sheriff's Commissary, Huron Transit and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the primary government) but also the following legally separate entities for which the County is financially accountable: Huron Behavioral Health Authority, Road Commission, Drain Commission projects, Department of Public Works and Economic Development Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 - 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds are reported using the modified accrual method of accounting. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund, Health Department Fund, Primary Road Fund, Revenue Reserve Fund, and Parks Fund all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 - 20 of this report.

Proprietary funds. Proprietary funds use the accrual basis of accounting, which is the same basis used by the private sector. The County maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Medical Care Facility, Huron Transit, Delinquent Tax Revolving, and Sheriff's Commissary funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its various employee benefits and risk programs.

Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Medical Care Facility, Huron Transit and Delinquent Tax Revolving Fund, all of which are considered to be major funds of the County. Individual fund data for the one nonmajor Enterprise Fund is provided in the form of combining statements elsewhere in this report. The County's two Internal Service Funds are presented in the

proprietary fund financial statements in the Governmental Activities Internal Service Fund column.

The basic proprietary fund financial statements can be found on pages 21 - 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The largest of the Fiduciary Funds is the Trust and Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 27 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and the budgetary information for the four major governmental funds. This required supplementary information can be found on pages 68 - 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental, enterprise and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 79 - 164 on this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$36,262,534 at December 31, 2006.

Approximately 55% of the County's net assets are unrestricted and available for future obligations. The next largest portion of net assets represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (approximately 1.2%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	\$ 14,401,279	\$ 13,949,582	\$ 13,560,597	\$ 12,094,326	\$ 27,961,876	\$ 26,043,908
Capital assets, net of accumulated depreciation	12,402,452	12,162,048	5,103,411	5,184,343	17,505,863	17,346,391
Total assets	26,803,731	26,111,630	18,664,008	17,278,669	45,467,739	43,390,299
Liabilities:						
Current liabilities	5,201,471	6,739,432	1,988,947	1,943,253	7,190,418	8,682,685
Other liabilities	1,617,689	1,756,871	397,098	588,836	2,014,787	2,345,707
Total liabilities	6,819,160	8,496,303	2,386,045	2,532,089	9,205,205	11,028,392
Net assets:						
Investment in capital assets net of related liabilities	11,543,542	11,161,603	4,514,575	4,407,178	16,058,117	15,568,781
Restricted	25,200	61,736	390,154	327,107	415,354	388,843
Unrestricted	8,415,829	6,391,988	11,373,234	10,012,295	19,789,063	16,404,283
Total net assets	\$ 19,984,571	\$ 17,615,327	\$ 16,277,963	\$ 14,746,580	\$ 36,262,534	\$ 32,361,907

Governmental activities experienced a \$1,538,000 reduction in current liabilities due to the State mandated shift in property tax collections to the summer tax collection period. This resulted in a reduction of deferred revenues. Other liabilities of governmental and business activities were reduced by \$331,000 due to reductions in long-term debt.

Management's Discussion and Analysis
December 31, 2006
(Continued)

The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the County's net assets changed during the year.

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 5,617,610	\$ 5,925,304	\$ 8,309,420	\$ 7,743,704	\$ 13,927,030	\$ 13,669,008
Grants and contributions	3,096,419	3,082,012	1,050,206	1,192,677	4,146,625	4,274,689
General revenues						
Property taxes	10,040,588	9,515,155	978,141	939,374	11,018,729	10,454,529
Intergovernmental revenues	157,114	146,019	398,144	139,396	555,258	285,415
Investment earnings	427,724	222,626	428,119	235,213	855,843	457,839
Other revenues	68,513	39,181	643,115	494,660	711,628	533,841
Total revenues	19,407,968	18,930,297	11,807,145	10,745,024	31,215,113	29,675,321
Expenses:						
Legislative	267,282	247,060	-	-	267,282	247,060
Judicial	1,898,515	1,823,388	-	-	1,898,515	1,823,388
General governmental	2,665,622	2,588,413	-	-	2,665,622	2,588,413
Public safety	4,601,911	4,816,656	-	-	4,601,911	4,816,656
Public works	547,262	486,927	-	-	547,262	486,927
Health and welfare	3,859,939	3,837,634	-	-	3,859,939	3,837,634
Economic development	141,293	375,030	-	-	141,293	375,030
Recreation and cultural	1,238,735	1,100,502	-	-	1,238,735	1,100,502
Other activities	2,106,763	2,023,702	-	-	2,106,763	2,023,702
Interest on debt service	32,562	40,983	-	-	32,562	40,983
Medical care facility	-	-	7,990,438	7,862,206	7,990,438	7,862,206
Huron transit	-	-	1,820,843	1,788,181	1,820,843	1,788,181
Delinquent tax revolving	-	-	116,001	130,142	116,001	130,142
Commissary	-	-	28,099	41,043	28,099	41,043
Total expenses	17,359,884	17,340,295	9,955,381	9,821,572	27,315,265	27,161,867
Increase in net assets before transfers and other items	2,048,084	1,590,002	1,851,764	923,452	3,899,848	2,513,454
Sale of easement/land	-	42,192	-	-	-	42,192
Transfers	321,160	453,586	(320,381)	(460,879)	779	(7,293)
Increase in net assets	2,369,244	2,085,780	1,531,383	462,573	3,900,627	2,548,353
Net assets, beginning of year	17,615,327	15,529,547	14,746,580	14,284,007	32,361,907	29,813,554
Net assets, end of year	<u>\$ 19,984,571</u>	<u>\$ 17,615,327</u>	<u>\$ 16,277,963</u>	<u>\$ 14,746,580</u>	<u>\$ 36,262,534</u>	<u>\$ 32,361,907</u>

Governmental activities. Governmental activities increased the County's net assets by \$2.4 million, accounting for 61% of the total growth in the net assets of the County. Key elements of this increase are as follows:

- \$1.3 million of this gain was caused by the acceleration of operating property tax revenue pursuant to Public Act 357 of 2004 that required the County to establish a restricted fund, the Revenue Sharing Reserve Fund, and place one-third of the County's December 2006 property tax levy in the fund. After December 2006, a total of three payments will be in the fund to provide a funding mechanism which will replace state revenue sharing payments. The general fund also had an increase in operating transfers from business activities.
- Investment income earnings increased due to higher interest rates and improved investment strategy.
- Expenses remained relatively stable except for reduced expenditures in Housing Rehabilitation programs which are financed by federal revenues.

Business type activities. Business type activities increased the County's net assets by \$1,531,000. Key elements of the current year increase are as follows:

- Medical Care Facility net assets increased by \$1,228,000. Major changes from 2005 were increased service revenues of \$575,000, increased State Aid of \$260,000 and increased investment earnings of \$130,000. Expenses of the Medical Care Facility increased by \$137,000.
- Delinquent Tax Revolving Fund experienced an increase in net assets of \$314,000 due to increased revenues from tax collection fees and increased investment earnings. The gain in net assets also resulted from reduced transfers to the General Fund of \$140,000.
- Huron Transit Funds experienced a reduction in net assets of \$93,000 due to lower intergovernmental revenues for capital items.

Financial Analysis of the County's Funds

As noted earlier, the Huron County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2006, the County's governmental funds reported combined ending fund balances of \$8,405,592, an increase of \$2,060,445 in comparison with the prior year. Of the fund balance amount \$6,980,845 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2006, unreserved fund balance of the general fund was \$1,182,547, while total fund balance was \$1,399,547. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 10.9% of total general fund expenditures and transfers out.

The fund balance of the General Fund increased by \$470,361. Property tax revenues increased by \$454,000 due to growth in taxable values. Investment earnings increased by \$112,000 due to improved interest rates. Other revenues increased by \$147,000 due to insurance refunds, some of which represented reimbursements for damages. Revenues from federal and state sources decreased by \$209,000 due primarily to a reduction in homeland security programs. Charges for services declined by \$181,000 due to lower planning and zoning revenues and reduced jail revenues from the boarding of inmates from other counties. General Fund expenditures increased by \$172,000 due to increased election costs and costs related to damages to County property.

The fund balance of the Health Department Fund decreased by \$58,731.

The Revenue Reserve fund had a total fund balance of \$4,196,904. This fund, which was new in 2004, is mandated by the State of Michigan and accounts for accelerated property tax collections to serve as a substitute for state revenue sharing payments. Three annual payments, each equal to one-third of the annual property tax levy, must be placed in the fund. In late 2004 and continuing until the fund balance is exhausted, the County will be able to draw monies from this fund equal to fiscal 2004 state revenue sharing payments adjusted for inflation.

The Parks Fund, which was a non-major fund in 2005, incurred expenditures in excess of revenues of \$116,990 due to capital improvements which were financed by fund balance appropriations.

Nonmajor governmental funds had an increase in fund balance of \$425,825. The Retiree Health fund represented \$208,000 of this increase due to additional operating transfers from other County funds. Emergency Phone Services Fund increased by \$180,000, while the Revolving Loan Fund increased by \$124,000 due to increased loan collections which are recorded as income when received. The Airport Fund had expenditures in excess of revenues of \$107,000 due to capital improvements.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Medical Care Facility increased by \$1,227,837, Huron Transit Funds decreased by \$92,804, and the Delinquent Tax Revolving Funds had an increase in net assets of \$313,688.

Internal service funds experienced an increase in net assets of \$161,193 due to favorable claims expense in the workers' compensation and fringe benefit funds.

General fund budgetary highlights

Changes to original budget

Major changes from the original budget included additions to income from service charges of \$153,000, increases to investment earnings of \$172,000 and increased other revenue of \$143,000. Expenditure budgets were increased by \$527,000. Significant increases to original expenditure budgets included a \$113,000 increase to general government expenditures for higher election costs and county remonumentation costs. Public safety budgets were increased by \$83,000 due primarily to higher transportation costs. Recreation and cultural budgets were increased by \$65,000 for added ice arena repairs. Budgets for other expenditures were increased by \$211,000 for unspecified contingencies.

Overall budget to actual comparison

General fund revenues were \$113,000 lower than final budgeted amounts. The largest decrease was from federal and state revenues which were \$86,000 lower than final budgeted amounts, and charges for services which were \$52,000 lower than final budgets.

General fund expenditures were \$524,000 lower than final budgeted amounts due to unused contingency budgets and general government spending of \$120,000 less than final budgets. Several other departments were under spent in lesser amounts.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its government activities at December 31, 2006 amounted to \$12,402,452 for governmental activities and \$5,103,411 for business type activities (both net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, drains, etc.). The total decrease in capital assets for the year was 1.0% due to depreciation in excess of current year additions.

Major capital asset improvements during the current fiscal year included the following:

The County's Airport Fund received federal and state grants of \$592,000 which was used to fund property improvements.

The Medical Care Facility is making building renovations, and has spent \$303,613 during 2006. The total project is expected to cost \$1,208,000 and is being financed by existing Medical Care Facility reserves.

Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land and improvements	\$ 4,102,152	\$ 4,096,364	\$ 321,113	\$ 17,500	\$ 4,423,265	\$ 4,113,864
Buildings and improvements	6,374,499	6,541,992	3,814,525	4,054,296	10,189,024	10,596,288
Improvements other than buildings	1,375,334	853,805	-	-	1,375,334	853,805
Equipment and vehicles	550,467	669,887	967,773	1,112,547	1,518,240	1,782,434
Total capital assets	<u>\$ 12,402,452</u>	<u>\$ 12,162,048</u>	<u>\$ 5,103,411</u>	<u>\$ 5,184,343</u>	<u>\$ 17,505,863</u>	<u>\$ 17,346,391</u>

Long-term debt. At the end of the current fiscal year, the County had total bonded debt and notes outstanding of \$1,447,746. This entire amount comprises debt backed by the full faith and credit of the County with the exception of the installment notes.

Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Municipal purchase notes	\$ 795,000	\$ 940,000	\$ 588,836	\$ 777,165	\$ 1,383,836	\$ 1,717,165
tax notes						
Installment loans and lease purchases	63,910	60,445	-	-	63,910	60,445
Total outstanding debt	<u>\$ 858,910</u>	<u>\$ 1,000,445</u>	<u>\$ 588,836</u>	<u>\$ 777,165</u>	<u>\$ 1,447,746</u>	<u>\$ 1,777,610</u>

The County's total debt decreased by \$329,864 (19%) during the current fiscal year.

New debt issued during 2006 included lease purchase agreements in the amount of \$74,000.

The County has an "A" rating for general obligation bonds and tax notes from Standard and Poor's.

State statutes limit the amount of general obligation debt a governmental unit may issue to 10% of its total assessed valuation (State Equalized Value). The County's current debt limitation is \$194,174,170 which is significantly in excess of the County's outstanding general obligation debt.

Additional information regarding the County's long-term debt can be found in note H on Pages 52 - 58 of this report.

Economic Factors, Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2007 fiscal year:

- Continued uncertainty over the State budget situation may result in lower State funding of County programs.
- Property tax revenues have been budgeted at \$6,810,000 which represents an increase of \$449,000 over 2006 due to taxable value increases.
- Health costs will continue to increase at rates in excess of inflation.
- The County Commissioners have initiated a program to fund retiree health care costs in a timely fashion. Actuarial studies are being updated to assess future funding requirements.
- The 2007 budget anticipates no requirement to use available fund balance.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Huron County Treasurer's Office at 250 East Huron, Bad Axe, MI 48413.

BASIC FINANCIAL STATEMENTS

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	\$ 3,384,868	\$ 6,300,847	\$ 9,685,715	\$ 12,363,488
Investments	5,307,378	3,449,525	8,756,903	-
Receivables (net of allowance)	5,588,543	3,271,464	8,860,007	24,101,634
Internal balances	(288,885)	376,595	87,710	-
Due from primary government	-	-	-	503,609
Inventory	-	50,201	50,201	600,120
Advances	6,323	-	6,323	-
Prepaid expenditures	186,052	111,965	298,017	51,738
Advance to component units	217,000	-	217,000	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	4,102,152	321,113	4,423,265	14,012,222
Assets being depreciated	8,300,300	4,782,298	13,082,598	69,475,852
 Total assets	<u>\$ 26,803,731</u>	<u>\$ 18,664,008</u>	<u>\$ 45,467,739</u>	<u>\$ 121,108,663</u>
LIABILITIES:				
Payables and accrued liabilities	\$ 957,761	\$ 1,043,923	\$ 2,001,684	\$ 929,312
Accrued interest	11,942	-	11,942	128,618
Due to fiduciary funds	903,663	-	903,663	-
Due to component units	503,609	-	503,609	-
Advances from primary government	-	-	-	217,000
Deferred revenue	2,636,834	753,286	3,390,120	3,496,938
Post employment benefit liability	-	-	-	1,607,669
Non-current liabilities				
Advance from State	-	-	-	283,674
Due within one year	187,662	191,738	379,400	2,911,647
Due in more than one year	1,617,689	397,098	2,014,787	18,580,916
Deferred revenue	-	-	-	10,367,038
 Total liabilities	6,819,160	2,386,045	9,205,205	38,522,812
NET ASSETS:				
Investment in capital assets, net of related liabilities	11,543,542	4,514,575	16,058,117	70,010,085
Net assets				
Restricted				
Capital projects	25,200	-	25,200	175,381
Debt service	-	-	-	167
Foreclosure	-	341,310	341,310	-
Tax administration	-	48,844	48,844	-
Unrestricted	8,415,829	11,373,234	19,789,063	12,400,218
 Total net assets	<u>\$ 19,984,571</u>	<u>\$ 16,277,963</u>	<u>\$ 36,262,534</u>	<u>\$ 82,585,851</u>

The accompanying notes are an integral part of these financial statements.

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants
Primary government:				
Governmental activities:				
Legislative	\$ 267,282	\$ -	\$ -	\$ -
Judicial	1,898,515	532,296	679,859	-
General government	2,665,622	935,303	135,392	-
Public safety	4,601,911	1,993,742	216,298	-
Public works	547,262	9,183	591,631	-
Health and welfare	3,859,939	1,148,231	1,390,427	-
Economic development	141,293	(1)	54,593	-
Recreation and cultural	1,238,735	998,856	28,219	-
Other	2,106,763	-	-	-
Interest on long term debt	32,562	-	-	-
Total governmental activities	17,359,884	5,617,610	3,096,419	-
Business type activities:				
Medical care facility	7,990,438	7,940,191	-	-
Huron transit	1,820,843	334,534	782,981	267,225
Delinquent tax revolving	116,001	-	-	-
Commissary	28,099	34,695	-	-
Total business type activities	9,955,381	8,309,420	782,981	267,225
Total primary government	\$ 27,315,265	\$ 13,927,030	\$ 3,879,400	\$ 267,225
Component units:				
Road commission	\$ 11,069,271	\$ 5,475,010	\$ 4,996,397	\$ 1,619,889
Department of public works	2,542,334	2,542,244	-	-
Economic development corporation	379,412	274,030	14,100	-
Huron behavioral health	9,254,516	8,893,178	130,040	-
Drain commission	1,933,199	-	-	2,126,385
Total component units	\$ 25,178,732	\$ 17,184,462	\$ 5,140,537	\$ 3,746,274
General revenues:				
Taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment income				
Restricted investment income				
Interest and penalties on delinquent taxes				
Miscellaneous revenues				
Gain on sale of capital assets				
Transfers				
Special Items:				
Sale of easement				
Total general revenues, transfers and special items				
Change in net assets				
Net assets, beginning of year				
Change in reserved fund balance for employee benefits				
Net assets, end of year				

Statement of Activities
For the Year Ended December 31, 2006

Net (Expense) Revenue and Change in Net Assets			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	
\$ (267,282)	\$ -	\$ (267,282)	\$ -
(686,360)	-	(686,360)	-
(1,594,927)	-	(1,594,927)	-
(2,391,871)	-	(2,391,871)	-
53,552	-	53,552	-
(1,321,281)	-	(1,321,281)	-
(86,701)	-	(86,701)	-
(211,660)	-	(211,660)	-
(2,106,763)	-	(2,106,763)	-
(32,562)	-	(32,562)	-
(8,645,855)	-	(8,645,855)	-
-	(50,247)	(50,247)	-
-	(436,103)	(436,103)	-
-	(116,001)	(116,001)	-
-	6,596	6,596	-
-	(595,755)	(595,755)	-
(8,645,855)	(595,755)	(9,241,610)	-
-	-	-	1,022,025
-	-	-	(90)
-	-	-	(91,282)
-	-	-	(231,298)
-	-	-	193,186
-	-	-	892,541
10,040,588	978,141	11,018,729	1,117,085
157,114	398,144	555,258	300,168
427,724	428,119	855,843	473,571
-	-	-	715
-	603,951	603,951	-
53,053	4,754	57,807	104,547
15,460	34,410	49,870	137,576
321,160	(320,381)	779	-
-	-	-	11,500
11,015,099	2,127,138	13,142,237	2,145,162
2,369,244	1,531,383	3,900,627	3,037,703
17,615,327	14,746,580	32,361,907	80,616,648
-	-	-	(1,068,500)
<u>\$ 19,984,571</u>	<u>\$ 16,277,963</u>	<u>\$ 36,262,534</u>	<u>\$ 82,585,851</u>

The accompanying notes are an integral part of these financial statements.

Huron County, Michigan

	<u>General</u>	<u>Health Department</u>	<u>Primary Road</u>
ASSETS			
Cash and cash equivalents	\$ 1,501,310	\$ 248,025	\$ 1,700
Investments	2,633,940	200,000	-
Receivables			
Property taxes	533,035	-	1,520,958
Accounts and interest	124,394	79,820	-
Due from other funds	-	120,713	-
Due from other governmental units	590,293	-	-
Advance to component units	217,000	-	-
Advances	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,599,972</u>	<u>\$ 648,558</u>	<u>\$ 1,522,658</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 77,411	\$ 110,916	\$ -
Accrued liabilities	126,718	-	-
Due to other funds	3,233,847	-	-
Due to component units	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	762,449	-	1,520,962
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	4,200,425	110,916	1,520,962
Fund balances:			
Reserved			
Long-term advance	217,000	-	-
Unreserved			
General fund	1,182,547	-	-
Other funds - designated	-	-	-
Other funds - undesignated	-	537,642	1,696
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,399,547</u>	<u>537,642</u>	<u>1,696</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 5,599,972</u>	<u>\$ 648,558</u>	<u>\$ 1,522,658</u>

The accompanying notes are an integral part of these financial statements.

**Governmental Funds
Balance Sheet
December 31, 2006**

<u>Revenue Reserve</u>	<u>Parks</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 549,576	\$ 1,084,257	\$ 3,384,868
2,162,938	-	310,500	5,307,378
1,976,361	-	424,116	4,454,470
57,605	-	227,711	489,530
-	20,292	782,765	923,770
-	2,246	52,004	644,543
-	-	-	217,000
-	-	6,323	6,323
<u>\$ 4,196,904</u>	<u>\$ 572,114</u>	<u>\$ 2,887,676</u>	<u>\$ 15,427,882</u>
\$ -	\$ -	\$ 111,181	\$ 299,508
-	-	19,407	146,125
-	-	-	3,233,847
-	464,619	38,990	503,609
-	-	29,000	29,000
-	-	526,790	2,810,201
-	464,619	725,368	7,022,290
-	-	-	217,000
-	-	-	1,182,547
-	25,200	-	25,200
4,196,904	82,295	2,162,308	6,980,845
<u>4,196,904</u>	<u>107,495</u>	<u>2,162,308</u>	<u>8,405,592</u>
<u>\$ 4,196,904</u>	<u>\$ 572,114</u>	<u>\$ 2,887,676</u>	<u>\$ 15,427,882</u>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of Fund Balance on the Balance Sheet for
Governmental Funds to Net Assets of Governmental Activities
on the Statement of Net Assets
December 31, 2006**

Fund balance, total governmental funds \$ 8,405,592

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Capital assets	21,508,625	
Accumulated depreciation	<u>(9,106,173)</u>	12,402,452

Other long-term assets are not available to pay for current period
expenditures and, therefore, are deferred in the funds.

Revolving fund loans	102,522	
Other	<u>64,210</u>	166,732

Internal Service Fund used by management to charge cost of
property, liability, health, disability, workers compensation and
life insurance expenses and claims. The assets and liabilities of the
internal service funds are included in governmental activities in the
statement of net assets.

827,088

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Bonds payable	(795,000)	
Notes payable	(63,910)	
Accrued interest on bonds/notes payable	(11,942)	
Accrued compensated absence	<u>(946,441)</u>	<u>(1,817,293)</u>

Net assets, governmental activities	<u><u>\$ 19,984,571</u></u>
-------------------------------------	-----------------------------

Huron County, Michigan

	General	Health Department	Primary Roads
Revenues:			
Taxes	\$ 6,361,118	\$ -	\$ 1,419,764
Licenses and permits	55,670	167,176	-
Federal grants	337,164	942,973	-
State grants	846,419	216,832	-
Charges for services	1,803,691	864,877	-
Fines and forfeitures	118,535	-	-
Interest	236,032	-	23,223
Rents	302,956	-	-
Other	217,805	50,399	-
Total revenues	10,279,390	2,242,257	1,442,987
Expenditures:			
Legislative	227,540	-	-
Judicial	1,570,977	-	-
General government	2,251,344	-	-
Public safety	2,849,959	-	-
Public works	346,489	-	-
Health and welfare	283,673	2,585,208	-
Economic development	65,800	-	-
Recreation and cultural	117,814	-	-
Other	1,619,343	-	1,447,875
Debt service			
Principal	145,000	-	-
Interest and fees	33,323	-	-
Total expenditures	9,511,262	2,585,208	1,447,875
Excess of revenues over (under) expenditures	768,128	(342,951)	(4,888)
Other financing sources (uses):			
Operating transfers in	1,018,224	284,220	-
Operating transfers out	(1,315,991)	-	-
Total other financing sources (uses)	(297,767)	284,220	-
Net change in fund balance	470,361	(58,731)	(4,888)
Fund balance, beginning of year	929,186	596,373	6,584
Fund balance, end of year	\$ 1,399,547	\$ 537,642	\$ 1,696

The accompanying notes are an integral part of these financial statements.

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

Revenue Reserve	Parks	Other Governmental Funds	Total Governmental Funds
\$ 1,976,361	\$ -	\$ 283,345	\$ 10,040,588
-	-	341,848	564,694
-	-	325,616	1,605,753
-	28,219	586,766	1,678,236
-	-	955,473	3,624,041
-	-	4,500	123,035
66,350	6,830	68,274	400,709
-	998,507	7,275	1,308,738
-	349	191,602	460,155
<u>2,042,711</u>	<u>1,033,905</u>	<u>2,764,699</u>	<u>19,805,949</u>
-	-	-	227,540
-	-	41,561	1,612,538
-	-	141,890	2,393,234
-	-	1,132,244	3,982,203
-	-	705,869	1,052,358
-	-	1,053,809	3,922,690
-	-	75,493	141,293
-	1,160,895	-	1,278,709
-	-	408,835	3,476,053
-	-	1,501	146,501
-	-	222	33,545
<u>-</u>	<u>1,160,895</u>	<u>3,561,424</u>	<u>18,266,664</u>
2,042,711	(126,990)	(796,725)	1,539,285
-	10,000	1,266,459	2,578,903
<u>(697,843)</u>	<u>-</u>	<u>(43,909)</u>	<u>(2,057,743)</u>
<u>(697,843)</u>	<u>10,000</u>	<u>1,222,550</u>	<u>521,160</u>
1,344,868	(116,990)	425,825	2,060,445
<u>2,852,036</u>	<u>224,485</u>	<u>1,736,483</u>	<u>6,345,147</u>
<u>\$ 4,196,904</u>	<u>\$ 107,495</u>	<u>\$ 2,162,308</u>	<u>\$ 8,405,592</u>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
December 31, 2006**

Net change in fund balances, total governmental funds		\$ 2,060,445
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	898,007	
Depreciation expense	<u>(657,603)</u>	240,404
Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.		(152,142)
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments on long term liabilities, net of new debt		141,535
Internal service funds used by management to charge costs of property, liability, health, disability, workers compensation and life insurance expenses and claims. The net revenues (expenses) attributable to those funds is reported with governmental activities.		85,127
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Decrease in accrued interest payable	983	
Increase in accrued compensated absences	<u>(7,108)</u>	<u>(6,125)</u>
Change in net assets, governmental activities		<u><u>\$ 2,369,244</u></u>

Proprietary Funds
Statement of Net Assets
December 31, 2006

	Business Type Activities-Enterprise Funds					Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Total	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 3,279,624	\$ 798,979	\$ 1,486,001	\$ -	\$ 5,564,604	\$ -
Investments	1,643,205	-	1,806,320	-	3,449,525	-
Accounts receivable						
Property taxes	672,276	-	738,085	-	1,410,361	-
Accounts and interest	865,955	62,586	16,160	-	944,701	100,154
Due from other funds	185,334	-	36	20,597	205,967	1,288,157
Due from other governmental units	-	39,706	17,607	-	57,313	-
Inventories	42,937	7,264	-	-	50,201	-
Prepaid expenses	84,475	27,490	-	-	111,965	186,052
Total current assets	6,773,806	936,025	4,064,209	20,597	11,794,637	1,574,363
Non-current assets:						
Cash and cash equivalents	736,243	-	-	-	736,243	-
Delinquent taxes	-	-	859,089	-	859,089	-
Total non-current assets	736,243	-	859,089	-	1,595,332	-
Property, plant and equipment:						
Property, plant and equipment	8,749,404	3,915,707	-	-	12,665,111	-
Less accumulated depreciation	(4,863,527)	(2,698,173)	-	-	(7,561,700)	-
Total property, plant and equipment (net of accumulated depreciation)	3,885,877	1,217,534	-	-	5,103,411	-
Total assets	11,395,926	2,153,559	4,923,298	20,597	18,493,380	1,574,363
Liabilities:						
Current liabilities:						
Accounts payable	892,526	118,475	530	359	1,011,890	483,128
Due to other governmental units	29,490	-	2,543	-	32,033	-
Deferred revenue	672,276	81,010	-	-	753,286	93,519
General obligation bonds, current portion	191,738	-	-	-	191,738	-
Total current liabilities	1,786,030	199,485	3,073	359	1,988,947	576,647
Long-term liabilities (less current portions):						
General obligation bonds	397,098	-	-	-	397,098	-
Total liabilities	2,183,128	199,485	3,073	359	2,386,045	576,647
Net assets:						
Investment in capital assets, net	3,297,041	1,217,534	-	-	4,514,575	-
Restricted						
Foreclosure	-	-	341,310	-	341,310	-
Tax administration	-	-	48,844	-	48,844	-
Unrestricted	5,915,757	736,540	4,530,071	20,238	11,202,606	997,716
Total net assets	\$ 9,212,798	\$ 1,954,074	\$ 4,920,225	\$ 20,238	\$ 16,107,335	\$ 997,716

The accompanying notes are an integral part of these financial statements.

**Reconciliation of Net Assets on the Statement of Net Assets for
Proprietary Funds to Net Assets of Business Type Activities
on the Statement of Net Assets
December 31, 2006**

Fund balances, business type activities \$ 16,107,335

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported with business-type activities.

170,628

Net assets, business type activities \$ 16,277,963

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

	Business Type Activities-Enterprise Funds					Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Total	Internal Service Fund
Operating revenues:						
Federal grants	\$ -	\$ 233,027	\$ -	\$ -	\$ 233,027	\$ -
State grants	-	549,954	-	-	549,954	-
Charges for services	7,940,191	334,534	603,951	34,695	8,913,371	-
Other	-	-	4,754	-	4,754	2,627,169
Total operating revenues	7,940,191	1,117,515	608,705	34,695	9,701,106	2,627,169
Operating expenses:						
Personal services	5,760,526	907,919	45,859	-	6,714,304	2,292,991
Contractual services	703,546	37,004	-	-	740,550	-
Supplies	913,057	290,901	10,562	28,099	1,242,619	-
Utilities	184,120	30,554	-	-	214,674	-
Depreciation	222,743	446,509	-	-	669,252	-
Other services and charges	245,586	107,956	59,580	-	413,122	-
Total operating expenses	8,029,578	1,820,843	116,001	28,099	9,994,521	2,292,991
Operating income (loss)	(89,387)	(703,328)	492,704	6,596	(293,415)	334,178
Non-operating revenues (expenses):						
Taxes	694,691	283,450	-	-	978,141	-
State aid	398,144	-	-	-	398,144	-
Gain on sale of capital assets	-	34,410	-	-	34,410	-
Interest	261,315	25,439	141,365	-	428,119	27,015
Interest expense and fees	(36,926)	-	-	-	(36,926)	-
Total non-operating revenues (expenses)	1,317,224	343,299	141,365	-	1,801,888	27,015
Net income (loss) before operating transfers and capital grants	1,227,837	(360,029)	634,069	6,596	1,508,473	361,193
Operating transfers out	-	-	(320,381)	-	(320,381)	(200,000)
Capital grants	-	267,225	-	-	267,225	-
Net income (loss)	1,227,837	(92,804)	313,688	6,596	1,455,317	161,193
Net assets, beginning of year	7,984,961	2,046,878	4,606,537	13,642	14,652,018	836,523
Net assets, end of year	\$ 9,212,798	\$ 1,954,074	\$ 4,920,225	\$ 20,238	\$16,107,335	\$ 997,716

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues, Expenses
and Changes in Net Assets of Proprietary Funds
to the Statement of Activities
December 31, 2006**

Net change in fund balances, business type activities \$ 1,455,317

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported with business-type activities.

76,066

Change in net assets, business type activities \$ 1,531,383

Proprietary Funds
Statement of Cash Flows
December 31, 2006

	Business Type Activities-Enterprise Funds				Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Internal Service Fund
Cash flows from operating activities:					
Cash receipts from customers	\$ 7,763,425	\$ 1,113,618	\$ 4,104,064	\$ 34,695	\$ 13,015,802
Cash payments to employees	(5,734,368)	(608,815)	-	-	(6,343,183)
Cash payments to suppliers	(2,068,574)	(770,806)	(117,561)	(28,684)	(2,985,625)
Cash payments for delinquent taxes	-	-	(3,743,310)	-	(3,743,310)
Internal activity	-	-	-	(6,011)	(6,011)
Net cash provided (used) by operating activities	(39,517)	(266,003)	243,193	-	(62,327)
Cash flows from noncapital financing activities:					
State aid received	398,144	-	-	-	398,144
Property taxes	694,691	283,450	-	-	978,141
Interfund borrowings - net	-	-	232	-	232
Operating transfers out	-	-	(320,381)	-	(320,381)
Net cash provided (used) by noncapital financing activities	1,092,835	283,450	(320,149)	-	1,056,136
Cash flows from capital and related financing activities:					
Capital grants received	-	267,225	-	-	267,225
Proceeds from sale of capital assets	-	34,410	-	-	34,410
Acquisition and construction of capital asset	(321,095)	(267,225)	-	-	(588,320)
Principal paid on capital debt and leases	(200,000)	-	-	-	(200,000)
Interest expense on capital debt and leases	(27,255)	-	-	-	(27,255)
Net cash provided (used) by capital and related financing activities	(548,350)	34,410	-	-	(513,940)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	224,044	-	2,574,772	-	2,798,816
Investment income	239,454	25,439	141,365	-	406,258
Purchases of investments	(1,062,871)	-	(2,756,320)	-	(3,819,191)
Net cash provided (used) by investing activities	(599,373)	25,439	(40,183)	-	(614,117)
Net increase (decrease) in cash & cash equivalents	(94,405)	77,296	(117,139)	-	(134,248)
Cash and cash equivalents, beginning of year	4,110,272	721,683	1,603,140	-	6,435,095
Cash and cash equivalents, end of year	\$ 4,015,867	\$ 798,979	\$ 1,486,001	\$ -	\$ 6,300,847

The accompanying notes are an integral part of these financial statements.

Proprietary Funds
Statement of Cash Flows
December 31, 2006
(Continued)

	Business Type Activities-Enterprise Funds					Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Total	Internal Service Fund
Reconciliation of net income to net cash provided (used) by operating activities:						
Operating income (loss) for the year	\$ (89,387)	\$ (703,328)	\$ 492,704	\$ 6,596	\$ (293,415)	\$ 334,178
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	222,743	446,509	-	-	669,252	-
Change in assets and liabilities:						
Receivables	(176,766)	(34,491)	(13,912)	-	(225,169)	(39,025)
Inventories	(3,930)	9,416	-	-	5,486	-
Prepaid expenses	10,137	5,881	-	-	16,018	(48,989)
Due from other governmental units	-	-	6,492	-	6,492	-
Due from other funds	(24,998)	-	-	(6,011)	(31,009)	-
Delinquent taxes	-	-	(240,531)	-	(240,531)	-
Accounts payable	22,317	10,010	79	(585)	31,821	(54,682)
Deferred revenue	-	-	-	-	-	(18,497)
Due to other governmental units	367	-	(1,639)	-	(1,272)	-
Net cash provided (used) by operating activities	<u>\$ (39,517)</u>	<u>\$ (266,003)</u>	<u>\$ 243,193</u>	<u>\$ -</u>	<u>\$ (62,327)</u>	<u>\$ 172,985</u>

**Agency Funds
Statement of Fiduciary Net Assets
December 31, 2006**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 315,578
Due from other funds	<u>903,663</u>
Total assets	<u><u>\$ 1,219,241</u></u>
Liabilities:	
Accounts payable	\$ 27,916
Undistributed tax collections	893,789
Due to other governmental units	<u>297,536</u>
Total liabilities	<u><u>\$ 1,219,241</u></u>

The accompanying notes are an integral part of these financial statements.

**DISCRETELY PRESENTED
COMPONENT UNITS**

Huron County, Michigan

	Road Commission	Department of Public Works	Economic Development Corporation
Assets:			
Cash and cash equivalents	\$ 1,800,443	\$ 175,548	\$ 37,718
Receivables	3,258,397	-	10,894
Due from primary government	503,609	-	-
Due from (to) other component units	59,256	-	-
Due from other governmental units	-	7,100,744	-
Inventory	600,120	-	-
Prepaid expenses	44,015	-	-
Capital assets (net of accumulated depreciation)	62,611,336	-	-
Total assets	68,877,176	7,276,292	48,612
Liabilities:			
Payables and current liabilities	370,294	-	11,167
Accrued interest	31,860	31,628	-
Due to other governmental units	2,254	-	-
Advance from primary government	-	-	-
Deferred revenue	1,148,543	-	-
Post employment benefit liability	-	-	-
Non-current liabilities			
Advance from State	283,674	-	-
Due within one year	252,595	955,000	-
Due in more than one year	893,835	6,114,116	-
Deferred revenue	-	-	-
Total liabilities	2,983,055	7,100,744	11,167
Net assets:			
Investment in capital assets, net of related liabilities	61,995,105	-	-
Restricted			
Capital projects	-	175,381	-
Debt service	-	167	-
Unrestricted	3,899,016	-	37,445
Total net assets	\$ 65,894,121	\$ 175,548	\$ 37,445

The accompanying notes are an integral part of these financial statements.

Discretely Presented Component Units
Combining Statement of Net Assets
December 31, 2006

Huron Behavioral Health	Drain Commission	Total
\$ 4,004,784	\$ 6,344,995	\$ 12,363,488
73,890	12,577,480	15,920,661
-	-	503,609
-	(59,256)	-
1,080,229	-	8,180,973
-	-	600,120
7,723	-	51,738
<u>654,813</u>	<u>20,221,925</u>	<u>83,488,074</u>
5,821,439	39,085,144	121,108,663
382,553	-	764,014
-	65,130	128,618
163,044	-	165,298
-	217,000	217,000
-	2,348,395	3,496,938
1,607,669	-	1,607,669
-	-	283,674
7,235	1,696,817	2,911,647
554,349	11,018,616	18,580,916
<u>-</u>	<u>10,367,038</u>	<u>10,367,038</u>
2,714,850	25,712,996	38,522,812
508,488	7,506,492	70,010,085
-	-	175,381
-	-	167
<u>2,598,101</u>	<u>5,865,656</u>	<u>12,400,218</u>
<u>\$ 3,106,589</u>	<u>\$ 13,372,148</u>	<u>\$ 82,585,851</u>

The accompanying notes are an integral part of these financial statements.

Huron County, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants
Road commission				
Governmental activities:				
Highways and streets	\$ 11,029,980	\$ 5,475,010	\$ 4,996,397	\$ 1,619,889
Interest on long-term debt	39,291	-	-	-
Total road commission	11,069,271	5,475,010	4,996,397	1,619,889
Department of public works				
Governmental activities:				
Other	2,322,788	2,322,698	-	-
Interest on long-term debt	219,546	219,546	-	-
Total department of public works	2,542,334	2,542,244	-	-
Economic development corporation				
Governmental activities:				
Economic development	379,412	274,030	14,100	-
Huron behavioral health				
Governmental activities:				
Health and welfare	9,254,516	8,893,178	130,040	-
Drain commission				
Governmental activities:				
Public works	1,395,292	-	-	2,126,385
Interest on long-term debt	537,907	-	-	-
Total drain commission	1,933,199	-	-	2,126,385
Total component units	\$ 25,178,732	\$ 17,184,462	\$ 5,140,537	\$ 3,746,274
General revenues:				
Taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment income				
Restricted investment income				
Miscellaneous revenues				
Gain on sale of capital assets				
Special items:				
Sale of easement				
Total general revenues and special items				
Change in net assets				
Net assets, beginning of year				
Change in reserved fund balance for employee benefits				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.

Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended December 31, 2006

Net (Expense) Revenue and Change in Net Assets

<u>Road Commission</u>	<u>Department of Public Works</u>	<u>Economic Development Corporation</u>	<u>Huron Behavioral Health</u>	<u>Drain Commission</u>	<u>Total</u>
\$ 1,061,316	\$ -	\$ -	\$ -	\$ -	\$ 1,061,316
(39,291)	-	-	-	-	(39,291)
1,022,025	-	-	-	-	1,022,025
-	(90)	-	-	-	(90)
-	-	-	-	-	-
-	(90)	-	-	-	(90)
-	-	(91,282)	-	-	(91,282)
-	-	-	(231,298)	-	(231,298)
-	-	-	-	731,093	731,093
-	-	-	-	(537,907)	(537,907)
-	-	-	-	193,186	193,186
					892,541
1,117,085	-	-	-	-	1,117,085
-	-	65,800	234,368	-	300,168
-	7,895	2,182	171,492	292,002	473,571
-	-	-	715	-	715
-	-	-	4,768	99,779	104,547
137,576	-	-	-	-	137,576
11,500	-	-	-	-	11,500
1,266,161	7,895	67,982	411,343	391,781	2,145,162
2,288,186	7,805	(23,300)	180,045	584,967	3,037,703
63,605,935	167,743	60,745	3,995,044	12,787,181	80,616,648
-	-	-	(1,068,500)	-	(1,068,500)
<u>\$ 65,894,121</u>	<u>\$ 175,548</u>	<u>\$ 37,445</u>	<u>\$ 3,106,589</u>	<u>\$ 13,372,148</u>	<u>\$ 82,585,851</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Huron County, Michigan (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

The County of Huron, Michigan, covers an area of approximately 824 square miles, with the County seat located in the City of Bad Axe, Michigan. The County operates under an elected Board of Commissioners (7 members) and provides services to its approximately 36,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Blended Component Units

The **Huron County Building Authority** is governed by a three-person board appointed by the County Board. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings and other capital improvements.

The **Huron County Transit Corporation** is a separate not-for-profit corporation governed by a six-person board appointed by the County Board. Its sole purpose is to operate the County's transit activities through an operations contract with the County. All transit revenues including grants, taxes and service charges are revenues of the County Transit Fund. In order to not be misleading, this fund has been consolidated and is included in the primary government's enterprise funds.

Discretely Presented Component Units

The **Huron County Road Commission** maintains and constructs County roads and bridges. The County provides subsidies to the Road Commission.

The **Department of Public Works** (DPW) funds are County agencies created to finance and construct water and/or sewage disposal systems for other governments within the County. The DPW funds issue bonds for the construction of such systems. The DPW then enters into contracts with these governments for the repayments of the bonds. These contracts are secured by the full faith and credit of these governments.

The **Drain funds** of the County include several drainage districts which are separate legal entities. Drain funds are consolidated and presented as one fund. The Board of County Road Commissioners is the appointed governing body of the Drain Funds.

The **Economic Development Corporation** (EDC) is a legally separate, not-for-profit corporation which provides economic development assistance to other County governments. The County provides subsidies to the EDC.

Huron Behavioral Health is an Authority that operates under the provisions of Act 258, Public Acts of 1974 (The Michigan Mental Health Code), as amended. The County Board of Commissioners appoints the twelve-person board, can remove the appointed members at will, can dissolve the Authority and provides annual appropriations to the Authority.

Complete financial statements for each of the discretely presented component units can be obtained directly from the County Treasurer's office or the administration offices at the following locations:

Huron County Road Commission
417 South Hanselman Street
Bad Axe, MI 48413

Huron County Department of Public Works
250 East Huron Avenue
Bad Axe, MI 48413

Economic Development Corporation
250 East Huron Avenue
Bad Axe, MI 48413

Drain Commission
417 South Hanselman Street
Bad Axe, MI 48413

Huron Behavioral Health Services
1108 S. Van Dyke
Bad Axe, MI 48413

Separate audited financial statements for the DPW funds and the Economic Development Corporation were not issued.

Funds With Another Year End

All of the County funds and component units operate and are reported on a December 31 year end with the exception of the Department of Human Services, Health Department fund, Huron Transit funds, and Huron Behavioral Health Services which operate and are reported as of September 30.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accruals as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Health Department Fund* is used to account for the operations of providing health protection and health services. Financing is provided by state and federal grants, charges for services and general fund appropriations.

The *Primary Road Fund* is used to report voted property taxes collected for road improvements. The taxes collected are remitted to the various local governmental units upon the request of those units.

The *Revenue Reserve Fund* is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy.

The *Parks Fund* is used to account for the operations and maintenance of the parks within the County.

The County reports the following major proprietary funds:

The *Medical Care Facility* is used to account for operations that provide medical care services where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *Huron Transit Authority* is used to account for the operation of a County wide transportation system.

The *Delinquent Tax Revolving Fund* is used to account for the payment to each local unit of government within the County of the delinquent real property taxes outstanding as of March 1, of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest.

Additionally, the government reports the following fund types:

The *Internal Service Fund* is used to account for the charges for services from funds and departments for self-funded workers compensation and health care, and to account for the payment of related insurance claims and expenses.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for this business type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal on-going operations. The principal operating revenues for the Enterprise and Internal Services Funds are charges to customers for sales and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at anytime without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations for the U. S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property receivables are shown net of an allowance for uncollectible accounts.

3. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased except for the Road Commission component unit which values inventories at first in/first out (FIFO) method. Inventories of proprietary funds are carried at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drain Commission component units. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years except for the Huron County Behavioral Health Authority which capitalizes assets with an individual cost of \$1,000 or more and the Huron County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>	<u>Road Commission</u>	<u>Drains</u>	<u>Huron Behavioral Health</u>
Building/Improvements	10 - 50	25 - 50	-	20 - 40
Drain system	-	-	30	-
Road system/Other information	-	5 - 50	-	-
Equipment	5 - 15	5 - 20	-	3 - 10

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

8. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements.

- 1) Prior to November 1, County departments, in conjunction with the Treasurer's Office, prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a Board of Commissioner's resolution.
- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds, however for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt Service or Capital Projects Funds on an annual basis because effective budgetary control is achieved through project length financial plans.
- 6) The County does not employ encumbrance accounting as an expansion of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year end.
- 7) Budgeted amounts are reported as originally adopted, and as amended by the Board of Commissioners during the year.

Similar procedures are followed in the case of the component units included in the reporting entity of Huron County, except that the respective Administrator/Director of each performs the function described above rather than the County Treasurer. Budgetary comparisons have not been made for the component unit financial statements but are available in their separately issued component unit financial statements; however, a summary of expenditures in excess of appropriations for the component units' budgetary funds is included below.

B. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The following over-expenditures were funded by available fund balance.

Huron County, Michigan

Notes to Combined Financial Statements
December 31, 2006
(Continued)

Excess of expenditures over appropriations in individual funds are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
Primary government			
Special revenue funds			
Health department			
Health and welfare	2,397,012	2,585,208	188,196
Primary road			
Other	1,436,861	1,447,875	11,014
Parks			
Recreation and cultural	1,124,000	1,160,895	36,895
Homestead pre-audit			
General government	-	300	300
Airport			
Public works	101,300	705,869	604,569
Emergency phone - wireless			
Public safety	80,000	121,871	41,871
Law library			
Judicial	35,000	35,327	327
Community development grant			
Economic development	50,000	54,593	4,593
Soldiers' relief			
Health and welfare	3,700	3,807	107
Veterans' trust			
Health and welfare	4,500	4,529	29
Older citizens'			
Health and welfare	249,227	249,348	121

Component units

The component units (the Huron County Road Commission, the Department of Public Works, Debt Service Funds, and the Drain Debt Service Funds) adopt their budgets at the account level. Huron Behavioral Health adopts their budgets on a functional level. During the year ended December 31, 2006, the component units incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
Road Commission			
Local roads preservation	\$ 4,000,000	\$ 4,081,579	\$ 81,579
Primary structures routine maintenance	3,000	137,597	134,597
Local structures preservation	80,000	92,851	12,851
State trunkline maintenance	750,000	770,594	20,594
State trunkline non-maintenance	1,050,000	1,066,602	16,602
Equipment expense - direct	1,500,000	1,502,453	2,453
Administrative expense	820,000	823,565	3,565
Capital outlay	600,000	604,791	4,791
Debt service - principal	150,000	151,380	1,380
Huron Behavioral Health			
Program operations	5,701,662	6,197,203	495,541
Managed care administration	140,250	164,752	24,502
General & board administration	980,210	1,161,228	181,018

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the Board has authorized investments to those listed under the State's statutory authority as noted above. The County's deposits and investments are in accordance with statutory authority.

At year end, the County's cash and investments were reported in the accompanying financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 3,384,868	\$ 6,300,847	\$ 315,578	\$ 12,363,488
Investments	5,307,378	3,449,525	-	-
	<u>\$ 8,692,246</u>	<u>\$ 9,750,372</u>	<u>\$ 315,578</u>	<u>\$ 12,363,488</u>

Cash and investments as of December 31, 2006 consisted of the following:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Component Units
Cash on hand	\$ 2,620	\$ 150	\$ -	\$ 50
Demand deposits	7,543,925	8,533,435	207,266	4,775,709
Investment pools	1,145,701	1,216,787	108,312	7,587,729
	<u>\$ 8,692,246</u>	<u>\$ 9,750,372</u>	<u>\$ 315,578</u>	<u>\$ 12,363,488</u>

The County's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk. At year end, the County's primary government, fiduciary funds and component units had \$19,927,817 of bank deposits (certificates of deposits, checking, and savings accounts) that were uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed below, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Investment Type	Fair Value	Credit Rating	Rating Organization
Governmental Activities			
Investment pools			
JP Morgan Chase MI Governmental MMF	\$ 918,530	Aaa	Moody's
Cadre	110,257	AAAm	Standard & Poors
Comerica Govt Cash Investment Funds	116,914	A1	Moody's
Business Type Activities			
Investment pools			
JP Morgan Chase MI Governmental MMF	\$ 767,445	Aaa	Moody's
Cadre	449,342	AAAm	Standard & Poors
Fiduciary Funds			
Investment pools			
Comerica Govt Cash Investment Funds	\$ 108,312	A1	Moody's
Component Units			
Investment pools			
JP Morgan Chase MI Governmental MMF	\$ 4,123,218	Aaa	Moody's
Comerica Govt Cash Investment Funds	1,300,937	A1	Moody's
National City Municipal Investment Funds	2,163,574	N/A	

The weighted average maturity (years) for all investment pools of the County is 0.0027. All funds have a one day maturity which equals 0.0027, where as a one year maturity would equal 1.00.

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. None of the County's investments were subject to credit risk ratings.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables in the governmental and business type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Property taxes	\$ 4,454,470	\$ 2,269,450
Accounts and interest	855,631	977,470
Intergovernmental Federal/State	278,442	57,313
Less allowance for uncollectible accounts	<u>-</u>	<u>(32,769)</u>
	<u><u>\$ 5,588,543</u></u>	<u><u>\$ 3,271,464</u></u>

The only amount not expected to be collected within one year is \$63,159 of accounts and interest receivable.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
General fund	
Property taxes	\$ 698,382
Grants	64,058
Miscellaneous	9
Primary road fund	
Property taxes	1,520,962
Non-major governmental funds	
Property taxes	424,116
Revolving loan	102,522
Other	<u>152</u>
	<u><u>\$ 2,810,201</u></u>

C. Capital Assets

Primary government

Capital asset activity of the primary government for the year ended December 31, 2006 was as follows:

	January 1, 2006 Balance	Additions	Deletions	December 31, 2006 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,029,992	\$ 383	\$ -	\$ 1,030,375
Land improvements	2,935,350	28,757	-	2,964,107
Historical lighthouse	97,756	9,914	-	107,670
Construction in progress	33,266	-	33,266	-
Total capital assets, not being depreciated	4,096,364	39,054	33,266	4,102,152
Capital assets, being depreciated:				
Buildings	10,171,612	-	-	10,171,612
Campsite improvements	1,199,938	127,943	-	1,327,881
Other improvements	204,402	-	-	204,402
Airport runway properties	1,219,536	629,054	-	1,848,590
Machinery and equipment				
General	480,716	47,671	-	528,387
Emergency	1,707,723	-	-	1,707,723
Marine	202,387	-	-	202,387
Health	250,977	-	-	250,977
Parks	169,940	3,716	-	173,656
Vehicles				
General	778,019	73,926	18,570	833,375
Emergency	-	22,908	-	22,908
Health	134,575	-	-	134,575
Total capital assets being depreciated	16,519,825	905,218	18,570	17,406,473
Less accumulated depreciation for:				
Buildings	4,262,263	245,077	-	4,507,340
Campsite improvements	567,295	50,359	-	617,654
Other improvements	6,813	6,813	-	13,626
Airport runway properties	563,320	100,712	-	664,032
Machinery and equipment				
General	361,839	58,950	-	420,789
Emergency	1,528,171	84,383	-	1,612,554
Marine	181,515	5,814	-	187,329
Health	188,975	17,626	-	206,601
Parks	61,283	7,118	-	68,401
Vehicles				
General	636,089	64,268	5,571	694,786
Emergency	-	2,884	-	2,884
Health	96,578	13,599	-	110,177
Total accumulated depreciation	8,454,141	657,603	5,571	9,106,173
Total capital assets being depreciated, net	8,065,684	247,615	12,999	8,300,300
Governmental activities capital assets, net	\$ 12,162,048	\$ 286,669	\$ 46,265	\$ 12,402,452

Notes to Combined Financial Statements
December 31, 2006
(Continued)

	January 1, 2006			December 31, 2006
	Balance	Additions	Deletions	Balance
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Construction in progress	-	303,613	-	303,613
Total capital assets, not being depreciated	17,500	303,613	-	321,113
Capital assets, being depreciated:				
Buildings	8,593,061	11,875	501	8,604,435
Land improvements	110,038	-	-	110,038
Machinery and equipment	1,283,303	5,607	27,684	1,261,226
Vehicles	2,491,566	267,225	390,492	2,368,299
Total capital assets being depreciated	12,477,968	284,707	418,677	12,343,998
Less accumulated depreciation for:				
Buildings	4,544,837	251,099	501	4,795,435
Land improvements	103,966	547	-	104,513
Machinery and equipment	1,011,941	51,216	27,684	1,035,473
Vehicles	1,650,381	366,390	390,492	1,626,279
Total accumulated depreciation	7,311,125	669,252	418,677	7,561,700
Total capital assets being depreciated, net	5,166,843	(384,545)	-	4,782,298
	<u>\$ 5,184,343</u>	<u>\$ (80,932)</u>	<u>\$ -</u>	<u>\$ 5,103,411</u>

Depreciation expense charged to functions/programs of the primary government for the year ended December 31, 2006 is as follows:

Governmental activities:	
Legislative	\$ 11,080
Judicial	36,169
General government	73,901
Public safety	250,506
Public works	100,712
Health and welfare	68,428
Recreation and cultural	116,807
Total depreciation expense - governmental activities	<u>\$ 657,603</u>
Business type activities:	
Medical Care Facility	\$ 222,743
Huron Transit	446,509
Total depreciation expense - business type activities	<u>\$ 669,252</u>

Discretely Presented Component Units

Drain Commission - Activity for the Drain Commission for the year ended December 31, 2006, was as follows:

	January 1, 2006			December 31, 2006
	Balance	Additions	Deletions	Balance
Capital assets, not being depreciated:				
Land improvements	\$ 2,349,213	\$ -	\$ -	\$ 2,349,213
Construction in progress	1,509,223	1,325,328	1,440,521	1,394,030
Total capital assets, not being depreciated	3,858,436	1,325,328	1,440,521	3,743,243
Capital assets, being depreciated:				
Drainage systems	23,591,571	2,126,637	-	25,718,208
Less accumulated depreciation for:				
Drainage systems	8,381,902	857,624	-	9,239,526
Total capital assets, being depreciated, net	15,209,669	1,269,013	-	16,478,682
Governmental activity capital assets, net	\$ 19,068,105	\$ 2,594,341	\$ 1,440,521	\$ 20,221,925

Depreciation expense for 2006 was \$857,624.

Road Commission - Activity for the Road Commission for the year ended December 31, 2006, was as follows:

	January 1, 2006			December 31, 2006
	Balance	Additions	Deletions	Balance
Capital assets, not being depreciated:				
Land	\$ 88,288	\$ -	\$ -	\$ 88,288
Land improvements	9,535,733	563,766	-	10,099,499
Total capital assets, not being depreciated	9,624,021	563,766	-	10,187,787
Capital assets, being depreciated:				
Buildings and improvements	1,310,775	17,512	4,725	1,323,562
Road equipment	6,651,719	565,687	550,592	6,666,814
Shop equipment	94,666	2,000	3,480	93,186
Office equipment	96,983	18,997	14,830	101,150
Engineering equipment	99,854	595	12,393	88,056
Yard and storage	424,423	-	-	424,423
Infrastructure				
Roads	61,831,279	6,115,422	4,711,241	63,235,460
Bridges	23,215,658	732,287	-	23,947,945
Depletable assets				
Gravel pits	90,453	-	-	90,453
Total capital assets being depreciated	93,815,810	7,452,500	5,297,261	95,971,049
Less accumulated depreciation for:				
Buildings and improvements	929,766	33,169	4,725	958,210
Road equipment	5,141,884	654,659	547,616	5,248,927
Shop equipment	61,403	5,492	3,480	63,415
Office equipment	74,007	10,501	11,647	72,861
Engineering equipment	79,925	6,479	12,393	74,011
Yard and storage	246,814	19,691	-	266,505
Infrastructure				
Roads	30,483,661	4,914,165	4,711,241	30,686,585
Bridges	5,596,764	502,106	-	6,098,870
Depletable assets				
Gravel pits	78,116	-	-	78,116
	42,692,340	6,146,262	5,291,102	43,547,500
Total capital assets, being depreciated, net	51,123,470	1,306,238	6,159	52,423,549
Governmental activity capital assets, net	\$ 60,747,491	\$ 1,870,004	\$ 6,159	\$ 62,611,336

Depreciation expense for 2006 was \$6,146,262.

Notes to Combined Financial Statements
December 31, 2006
(Continued)

Huron Behavioral Health - Activity for Huron Behavioral Health for the year ended December 31, 2006, was as follows:

	January 1, 2006 Balance	Additions	Deletions	December 31, 2006 Balance
Capital Assets, not being depreciated:				
Land	\$ 67,192	\$ 14,000	\$ -	\$ 81,192
Capital assets, being depreciated:				
Buildings	193,500	136,599	-	330,099
Land improvements	13,075	-	-	13,075
Building improvements	66,264	16,810	-	83,074
Transportation equipment	647,814	35,625	40,851	642,588
Computer equipment	185,451	-	25,819	159,632
Office equipment	258,844	-	2,420	256,424
Total capital assets being depreciated	1,364,948	189,034	69,090	1,484,892
Less accumulated depreciation for:				
Buildings	22,049	6,614	-	28,663
Land improvements	654	327	-	981
Building improvements	4,076	1,815	-	5,891
Transportation equipment	543,659	38,933	38,851	543,741
Computer equipment	167,681	7,386	25,004	150,063
Office equipment	163,042	21,068	2,178	181,932
	901,161	76,143	66,033	911,271
Total capital assets, being depreciated, net	463,787	112,891	3,057	573,621
Governmental activity capital assets, net	\$ 530,979	\$ 126,891	\$ 3,057	\$ 654,813

Depreciation expense for 2006 was \$76,143.

D. Payables

Payables in the governmental and business type activities are as follows:

	Governmental Activities	Business Type Activities
Accounts payable/accrued liabilities	\$ 311,450	\$ 615,311
Wages and fringe benefits	629,253	396,579
Intergovernmental Federal/State	29,000	32,033
	\$ 969,703	\$ 1,043,923

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

	<u>Receivable</u>	<u>Payable</u>
Advances to/from other funds		
Primary government		
General	\$ 217,000	\$ -
Component unit		
Drains	-	217,000
	<u>\$ 217,000</u>	<u>\$ 217,000</u>
Interfund receivable/payable		
Governmental funds		
General	\$ -	\$ 3,233,847
Health	120,713	-
Parks	20,292	-
Nonmajor governmental funds	782,765	-
Proprietary funds		
Medical care facility	185,334	-
Delinquent tax revolving	36	-
Nonmajor proprietary fund	20,597	-
Internal service funds	1,288,157	-
Fiduciary funds	903,663	-
	<u>3,321,557</u>	<u>3,233,847</u>
Adjustments for September 30 year end funds	-	87,710
	<u>\$ 3,321,557</u>	<u>\$ 3,321,557</u>

The interfund receivables/payables exist due to the fact that the County uses a pooled cash management account for substantially all funds. The interfund Receivables/Payables do not agree in this presentation due to the fact that Health and Department of Human Services present September 30, 2006 balances. Outstanding advances between funds relate to working capital loans made to a certain component unit.

A summary of interfund transfers for the year ended December 31, 2006, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds		
General	\$ 1,018,224	\$ 1,315,991
Health	284,220	-
Revenue reserve	-	697,843
Parks	10,000	-
Nonmajor governmental funds	1,266,459	43,909
Proprietary funds		
Delinquent tax revolving	-	320,381
Internal service funds		
Employee fringe benefits	-	200,000
	<u>2,578,903</u>	<u>2,578,124</u>
Adjustments for September 30 year end funds	-	779
	<u>\$ 2,578,903</u>	<u>\$ 2,578,903</u>

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Total transfers in for the primary government as shown in the accompanying financial statements were \$2,578,903 and total transfers out were \$2,578,124. The difference between these amounts, \$779, was attributable to transactions with the Health Department, which is reported on a September 30 year end. As such, this is reported as an uneliminated internal balance in the statement of activities.

F. Unemployment Compensation

The County and its component units are reimbursing employers for purposes of unemployment insurance claims against the employer. They reimburse the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as paid or when the liability is due to the State Unemployment Agency.

G. Leases

Primary government

Operating leases - The 911 Operation leases towers under five year leases (all of which have expired). The leases are, therefore, month to month. The annual expense for tower and other miscellaneous leases was \$27,583 in 2006.

Component units

Road Commission

Capital Leases - The Road Commission has entered into lease agreements as the lessee for financing the purchase of road graders. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

	<u>Cat Grader</u>	<u>Cat Grader</u>	<u>Total</u>
2007	\$ 133,093	\$ 37,200	\$ 170,293
2008	-	125,883	125,883
Total minimum lease payments	133,093	163,083	296,176
Less amount representing interest	(4,268)	(7,897)	(12,165)
Present value	<u>\$ 128,825</u>	<u>\$ 155,186</u>	<u>\$ 284,011</u>

Huron Behavioral Health

Operating Lease - On January 1, 2006, the Authority entered into a lease agreement with the Huron County Board of Commissioners to lease office space. The terms of the lease require monthly payments of \$11,597 for a period of one year beginning January 1, 2006. The Authority is responsible for all expenses of operation including utilities and maintenance.

The lease further provides for cancellation by the Authority if the purpose for which the lease was entered into no longer exists due to executive, legislative or local government order or insufficient allocation of funds for this location by the Michigan State Department of Community Health and/or the Huron County Board of Commissioners.

The Authority entered into various lease arrangements for housing residential and day activity facilities. The terms of the leases require monthly payments amounting to \$3,641. The Authority is responsible for all expenses of operation including utilities and maintenance.

The leases also provide for an optional renewal term with monthly lease payments to be determined based on an agreed upon formula. The leases further provide for cancellation by the Authority in the event funding is terminated, reduced or licensing is withheld.

H. Long- Term Debt

A summary of changes in long-term debt is as follows:

	Balance January 1, 2006	Additions (Retirements)	Balance December 31, 2006	Due Within One Year
Primary government - Governmental activities:				
General Obligation Debt:				
Municipal purchase note - secured by general obligation of the County:				
\$2,840,000 Municipal Purchase Note (Jail and Medical Care Building); due in annual installments of \$165,000 - \$365,000 plus interest semi-annually at 3.250% - 3.875% through September 1, 2011	\$ 1,745,000	\$ (345,000)	\$ 1,400,000	\$ 350,000
Less amount carried by Enterprise Fund (Medical Care Building)	(805,000)	200,000	(605,000)	(200,000)
Total general obligation debt	940,000	(145,000)	795,000	150,000
Other debt:				
Lease purchase - GMAC; due in annual installments of \$19,068 including interest annually at 4.70% through April 28, 2006	18,213	(18,213)	-	-
Lease purchase - GMAC; due in annual installments of \$6,609 including interest annually at 6.90% through June 24, 2007	23,925	(17,745)	6,180	6,180
Lease purchase - Ford Motor Credit; due in annual installments of \$7,308 including interest annually at 5.00% through August 17, 2007	13,589	(6,629)	6,960	6,960
Lease purchase - GMAC; due in annual installments of \$18,549 including interest annually at 7.05% through May 5, 2008	-	52,062 (18,549)	33,513	16,186
Lease purchase - GMAC; due in annual installments of \$7,825 including interest annually at 7.55% through September 19, 2008	-	21,864 (7,824)	14,040	6,764
Note payable - Michigan Aeronautics Commission Michigan Airport Loan Program with annual payments of \$1,723 including interest at 4.70% through May 2008	4,718	(1,501)	3,217	1,572
General fund vested vacation and sick leave	856,293	5,099	861,392	-
Special revenue fund vested vacation and sick leave	83,040	2,009	85,049	-
Total other debt	999,778	10,573	1,010,351	37,662
Total debt - governmental activities	\$ 1,939,778	\$ (134,427)	\$ 1,805,351	\$ 187,662

Notes to Combined Financial Statements
December 31, 2006
(Continued)

	<u>Balance January 1, 2006</u>	<u>Additions (Retirements)</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
Primary government - Business type activities:				
General Obligation Debt:				
Municipal purchase note - secured by general obligation of the County:				
\$1,490,000 Municipal Purchase Note; due in annual installments of \$200,000 - \$205,000 plus interest semi-annually at 3.250% - 3.625% through September 1, 2009	\$ 805,000	\$ (200,000)	\$ 605,000	\$ 200,000
Less unamortized discount and issue costs	<u>(27,835)</u>	<u>11,671</u>	<u>(16,164)</u>	<u>(8,262)</u>
Total debt - business type activities	<u><u>\$ 777,165</u></u>	<u><u>\$ (188,329)</u></u>	<u><u>\$ 588,836</u></u>	<u><u>\$ 191,738</u></u>

Component units:

General obligation debt:

General obligation debt secured by general obligation contracts:

General obligation bonds have been issued by the County to construct several water supply and sewage disposal systems for various townships, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended.

The principal and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems revert to the Townships, Villages or Cities.

	<u>Balance January 1, 2006</u>	<u>Additions (Retirements)</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
\$180,000 Huron County sewer system serial bonds (Township of Colfax) due in annual installments of \$15,000 plus interest semi-annually at 5.00% through September 1, 2008; Colfax Township has entered into a general obligation contract with the County to repay this debt	\$ 45,000	\$ (15,000)	\$ 30,000	\$ 15,000
\$525,000 Huron County water and sewer system serial bonds (Sebewaing M-25) due in annual installments of \$35,000 - \$40,000 plus interest semi-annually at 7.05% - 7.15% through September 1, 2012; the Village of Sebewaing has entered into a general obligation contract with the County to repay this debt	265,000	(30,000)	235,000	35,000
\$2,625,000 Huron County water system improvement project bonds (Sand Beach Township) due in annual installments of \$125,000 plus interest semi-annually at 4.85% through December 1, 2007; the Township of Sand Beach has entered into a general obligation contract with the County to repay this debt	250,000	(125,000)	125,000	125,000
\$1,900,000 Huron County water system improvement refunding bond series 2005 (Sand Beach Township) due in annual installments of \$120,000 - \$500,000 plus interest semi-annually at 3.000% - 4.000% through June 1, 2018; the Township of Sand Beach has entered into a general obligation contract with the County to repay this debt	1,900,000	-	1,900,000	500,000
\$1,900,000 Huron County water supply and sewage disposal bonds (City of Bad Axe - Series A) due in annual installments of \$50,000 - \$200,000 plus interest semi-annually at 4.125% - 7.125% through December 1, 2015; the City of Bad Axe has entered into a general obligation contract with the County to repay this debt	1,650,000	(50,000)	1,600,000	50,000
\$1,605,000 Huron County water supply and sewage disposal bonds (City of Bad Axe - Series B) due in annual installments of \$200,000 plus interest semi-annually at 4.750% through December 1, 2007; the City of Bad Axe has entered into a general obligation contract with the County to repay this debt	375,000	(175,000)	200,000	200,000

**Notes to Combined Financial Statements
December 31, 2006
(Continued)**

	<u>Balance January 1, 2006</u>	<u>Additions (Retirements)</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
\$2,322,698 Huron County sewage disposal bonds (City of Bad Axe) due in annual installments of \$242,698 - \$310,000 plus interest semi-annually at 1.625% through April 1, 2015 the City of Bad Axe has entered into a general obligation contract with the County to repay this debt	-	2,322,698	2,322,698	-
Huron County water system improvement bonds (Village of Elkton) due in annual installments of \$30,000 - \$50,000 plus interest semi-annually at 2.125% through October 1, 2023; the Village of Elkton has entered into a general obligation contract with the County to repay this debt	<u>686,476</u>	<u>(30,058)</u>	<u>656,418</u>	<u>30,000</u>
Total general obligation debt secured by general obligation contracts	5,171,476	1,897,640	7,069,116	955,000
Drain Funds debt (backed by the full faith and credit of the County):				
Drain notes payable, due in amounts varying from \$5,900 to \$100,000 plus interest at 2.50% - 6.20% through July 1, 2020	1,099,068	(203,635)	895,433	286,817
Drain bonds - Bad Axe Drain - Phase I; due in annual installments of \$75,000 plus interest semi-annually at 6.40% through June 1, 2007	150,000	(75,000)	75,000	75,000
Drain bonds - Bad Axe Drain - Phase II; due in annual installments of \$50,000 - \$75,000 plus interest semi- annually at 5.50% - 5.90% through June 1, 2014	550,000	(50,000)	500,000	50,000
Drain bonds - Cramp Drain; due in annual installments of \$30,000 plus interest semi-annually at 5.70% - 5.90% through June 1, 2009	120,000	(30,000)	90,000	30,000
Drain bonds - Todd Drain; due in annual installments of \$35,000 plus interest semi-annually at 6.60% - 6.90% through June 1, 2010	175,000	(35,000)	140,000	35,000
Drain bonds - Pitcher Drain; due in annual installments of \$35,000 - \$40,000 plus interest semi-annually at 5.00% through June 1, 2011	225,000	(35,000)	190,000	40,000
Drain bonds - Thompson Drain; due in annual installments of \$40,000 plus interest at 4.90% through June 1, 2007	75,000	(35,000)	40,000	40,000
Drain bonds - Allen Drain; due in annual installments of \$100,000 - \$125,000 plus interest semi-annually at 4.50% through June 1, 2012	800,000	(125,000)	675,000	125,000
Drain bonds - Crumback Drain; due in annual installments of \$20,000 - 25,000 plus interest at 4.70% - 5.00% through June 1, 2013	185,000	(20,000)	165,000	25,000

Notes to Combined Financial Statements
December 31, 2006
(Continued)

	Balance January 1, 2006	Additions (Retirements)	Balance December 31, 2006	Due Within One Year
Drain bonds - Schram Drain; due in annual installments of \$70,000 plus interest semi-annually at 4.65% - 5.00% through June 1, 2013	560,000	(70,000)	490,000	70,000
Drain bonds - Bay Port Drain; due in annual installments of \$35,000 - 40,000 plus interest at 4.50% - 4.75% through June 1, 2018	485,000	(35,000)	450,000	35,000
Drain bonds - Lincoln Drain; due in annual installments of \$35,000 plus interest semi-annually at 5.05% - 5.35% through June 1, 2010	175,000	(35,000)	140,000	35,000
Drain bonds - Shebeon Intercounty Drain; due in annual installments of \$225,000 plus interest semi-annually at 5.40% - 5.50% through June 1, 2010	1,125,000	(225,000)	900,000	225,000
Drain bonds - Harbor Beach Consolidated Drain; due in annual installments of \$50,000 - \$100,000 plus interest semi-annually at 4.75% - 5.50% through June 1, 2020	1,075,000	(50,000)	1,025,000	50,000
Drain bonds - Beaubien Drain; due in annual installments of \$50,000 plus interest semi-annually at 4.95% - 5.15% through June 1, 2011	300,000	(50,000)	250,000	50,000
Drain bonds - Cameron Drain; due in annual installments of \$30,000 - \$35,000 plus interest semi-annually at 4.30% - 5.00% through June 1, 2013	265,000	(30,000)	235,000	30,000
Drain bonds - Taft Drain; due in annual installments of \$65,000 - \$70,000 plus interest semi-annually at 3.80% - 4.45% through June 1, 2012	465,000	(65,000)	400,000	65,000
Drain bonds - Filion Drain; due in annual installments of \$40,000 plus interest semi-annually at 3.45% through June 1, 2018	520,000	(40,000)	480,000	40,000
Drain bonds - Willow Creek Drain; due in annual installments of \$125,000 - \$150,000 plus interest semi-annually at 3.00% - 4.00% through June 1, 2020	2,210,000	(135,000)	2,075,000	150,000
Drain bonds - Cook Drain; due in annual installments of \$35,000 plus interest semi-annually at 3.05% - 4.35% through June 1, 2017	420,000	(35,000)	385,000	35,000
Drain bonds - Sebewaing River Intercounty Drain; due in annual installments of \$110,000 plus interest semi-annually at 2.30% - 3.80% through June 1, 2014	982,000	(102,000)	880,000	110,000
Drain bonds - Campau and Branches Drain; due in annual installments of \$45,000 - \$50,000 plus interest semi-annually at 3.65% - 4.40% through June 1, 2021	-	720,000	720,000	45,000
Drain bonds - McMullen and Branches Drain; due in annual installments of \$50,000 - \$75,000 plus interest semi-annually at 3.85% - 4.65% through June 1, 2021	-	1,050,000	1,050,000	50,000
Drain bonds - Symons and Branches Drain; due in annual installments of \$30,000 - \$35,000 plus interest semi-annually at 4.000% - 4.125% through June 1, 2022	-	465,000	465,000	-
Total drain funds debt	11,961,068	754,365	12,715,433	1,696,817

Notes to Combined Financial Statements
December 31, 2006
(Continued)

Motor Vehicle Highway Fund debt secured by highway funds (backed by full faith and credit of the County):

	Balance January 1, 2006	Additions (Retirements)	Balance December 31, 2006	Due Within One Year
Drain assessment - Allen Drain; due in annual installments of \$27,484 plus interest semi-annually at various rates through June 1, 2011	164,903	(27,484)	137,419	27,484
Drain assessment - Shebeon Drain; due in annual installments of \$64,934 plus interest semi-annually at various rates through June 1, 2009	259,734	(64,933)	194,801	64,934
Lease purchase - Caterpillar Financial; due in monthly installments of \$2,911 including interest at 4.25% through November 1, 2007	157,708	(28,883)	128,825	128,825
Lease purchase - Caterpillar Financial; due in monthly installments of \$3,100 including interest at 4.15% through June 1, 2008	185,266	(30,080)	155,186	31,352
Total highway debt	767,611	(151,380)	616,231	252,595

Mental Health debt:

Huron Behavioral Health building mortgage; due in monthly installments of \$1,161 including interest at 4.68% through March 28, 2021	-	149,241 (2,917)	146,324	7,235
Total mental health debt	-	146,324	146,324	7,235

Other debt:

Vested vacation and sick leave -				
Huron County Road Commission	499,866	30,333	530,199	-
Huron Behavioral Health	427,706	(12,446)	415,260	-
Total component unit debt	\$ 18,827,727	\$ 2,664,836	\$ 21,492,563	\$ 2,911,647

The annual principal and interest requirements, excluding installment contracts, for the years ending December 31, 2007 through 2022 are as follows:

	Governmental Activities	Business Type Activities	Discretely Presented Component Units
2007	\$ 178,848	\$ 221,130	\$ 3,423,327
2008	173,972	214,630	2,870,616
2009	178,534	212,380	2,770,949
2010	177,776	-	2,596,190
2011	176,588	-	2,302,441
2012 - 2016	-	-	7,364,011
2017 - 2021	-	-	2,555,547
2022	-	-	135,174
	\$ 885,718	\$ 648,140	\$ 24,018,255

The following is a summary of commitments, including interest, under installment contracts and lease purchases.

2007	\$	42,014
2008		<u>28,100</u>
	\$	<u>70,114</u>

IV. OTHER INFORMATION

A. Risk Management

Primary government

The County is self-insured for workers' compensation and health care benefits.

Workers' compensation

All County funds, except for Huron Transit, Parks and Airport Funds, make payments to the Workers' Compensation Fund (Internal Service) based on annually determined percentages of gross wages. These payments are reported as charges for services in the paying fund and charges for services in the receiving fund.

The County is self-insured for individual claims up to \$275,000 and total claims per year up to \$739,500. The County purchases commercial insurance for claims in excess of these amounts. The County has recorded a liability of \$166,448 for accrued claims including an estimate for claims incurred but not reported (IBNR). The Workers' Compensation Fund evaluates each claim periodically and estimates the total expected cost. Reserves for unknown future losses are not established. The claims liability at December 31, 2006 is listed below.

Health care benefits

In June 2003, the County established a self-insured health care benefit plan. This plan is administered by a third party and is accounted for in the Fringe Benefits Fund (Internal Service). Under the plan, the County pays claims up to \$25,000 per contract. The County purchases stop loss insurance for claims in excess of this limit. The County records a liability for unpaid claims, including incurred but not reported claims (IBNR).

The changes in claims liabilities during 2006 were as follows:

	<u>Workers Compensation</u>	<u>Health Care Benefits</u>	<u>Total</u>
Unpaid claims, December 31, 2005	\$ 174,586	\$ 285,744	\$ 460,330
Provision for claims	20,874	1,289,087	1,309,961
Claims paid	<u>(29,012)</u>	<u>(1,341,677)</u>	<u>(1,370,689)</u>
Unpaid claims, December 31, 2006	<u>\$ 166,448</u>	<u>\$ 233,154</u>	<u>\$ 399,602</u>

The self-insured health care benefit plan referred to above is not utilized by the Medical Care Facility Fund, Huron Transit Fund, Parks and Airport Funds. Those funds purchase commercial insurance for employee health care benefits.

Partial self-insurance - general liability

The County is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the County is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the County's maximum loss per occurrence is limited as follows:

	Maximum Retention Per Occurrence
General liability	\$75,000
Auto physical damage	\$15,000 per vehicle
Auto physical damage	\$30,000 per occurrence
Property coverage	10% of the first \$100,000 after \$1,000 deductible

Losses in excess of these occurrence limits are covered by reinsurance up to \$14,925,000.

The Huron County Health Department participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of \$10 million and \$5 million, respectively. This fund is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Parks Fund and the Airport Fund are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Parks Fund has obtained insurance coverage for these risks through the Huron County Road Commission as a member of the Michigan County Road Commission Self Insurance Pool, a public entity risk pool. The MCRCSIP currently operates as a common risk management and insurance program which charges annual premiums to its members for coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event.

The Huron Transit Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Corporation is a member of the Michigan Transit Pool (a group self-insurance pool) to account for and finance these risks of loss. Currently, the Pool has two separate loss protection programs known as (1) the Liability Coverage Program and (2) the Direct Property Damage Coverage Program. The Liability Coverage Program provides coverage for motor vehicle liability as required by state law and general liability coverage. The Direct Property Damage Coverage Program provides coverage for collision losses, comprehensive losses and losses of use.

Payments ("premiums") charged to members participating in the Liability Coverage Program and the Direct Property Damage Coverage Program are determined in amounts pursuant to cost allocation plans for each program. However, both of the programs involve the transferring of risk of loss amongst members, and premiums are subject to retrospective adjustments to prior years. Generally, the Corporation's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Deposit Premiums</u>	<u>Maximum Retention Per Occurrence</u>	<u>Coverage Limit Per Occurrence</u>
Motor vehicle and general liability	\$ 65,878	\$ 100,000	\$ 1,000,000
Direct property damage	\$ 15,985	\$ 10,000	Book value of property

If a loss is greater than the retention amount, the difference is covered by excess insurance carriers.

Members pay directly the first \$2,000 of each loss. The next \$8,000 is also the member's responsibility but comes from the member's premium deposit. Loss amounts above \$10,000 are pooled, and shared between all program members, based upon the relative book values of each respective member. Comprehensive losses over \$50,000 are covered by the excess insurance carrier.

The Huron County Medical Care Facility purchases commercial insurance through private carriers. Management believes such coverage is sufficient to preclude any material loss to the County.

Component units

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event. The MCRCSIP provides general liability, casualty and fleet coverage to the Road Commission, and acts as an agent for the Road Commission by purchasing commercial insurance for underground storage tank liability.

The Road Commission is also a member of the Michigan County Road Association Self-Insurance Fund, a public entity risk pool providing risk management for worker's compensation. The Road Commission also continues to carry commercial insurance for employee health coverage.

At December 31, 2006, there were no claims that exceeded insurance coverage. The Road Commission had no significant reduction in insurance coverage from the previous year.

Huron Behavioral Health

General Liability

Huron Behavioral Health participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of \$10 million. The Authority is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. The Authority reduced their liability insurance coverage by \$5 million and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The Authority also purchased commercial insurance coverage for losses related to their property, automobiles and commercial general liability.

Workers' compensation

Huron Behavioral Health purchased commercial insurance to provide coverage of losses related to workers' compensation claims. The workers' compensation insurance provides coverage for up to a maximum of \$1,000,000 for each workers' compensation claim.

Employee health care

For its risk of losses related to providing health care benefits to its employees and their dependents, the Authority established a partial self-insurance plan to cover claims for the medical costs of its employees and their dependents. The partial self-insurance plan provided coverage of up to \$595,440 of total medical care claims for the calendar year of 2006. For claims in excess of coverage of \$595,440, the Authority has purchased commercial insurance. Commercial insurance has also been purchased to provide vision and dental benefits for the employees of Huron Behavioral Health and their dependents. As of September 30, 2006, the Authority has paid medical care claims in the amount of \$634,960 and received reimbursements in the amount of \$208,652 for medical costs paid in excess of the aggregate stop loss limit for the calendar year 2006. Also, the Authority has recognized as an expense, twelve months of amortization of the maximum loss for medical claims in the amount of \$909,138 as of September 30, 2006.

B. Contingent Liabilities

Various claims and lawsuits are pending against the County. The County has sufficient insurance coverage and would only be liable up to \$75,000 on each case settled in the plaintiff's favor. In the opinion of the County's management and legal counsel, the potential loss on all claims and lawsuits will not be significant to the County's financial statements.

Various suits involving personal injury claims have been filed or are pending against the Road Commission. The only direct financial responsibility that the Road Commission has concerning the above claims is the payment of a \$1,000 deductible, per occurrence, to the Michigan County Road Commission Self-Insurance Pool. The Road Commission is afforded coverage through the Pool with more than sufficient limits to cover any settlement or adverse judgment.

C. Property Taxes

Prior to 2005, the County property taxes were levied annually on December 1 (the lien date) to fund operations of the following year. The property taxes were due in full within 90 days (prior to March 1), at which time uncollected taxes became delinquent.

In 2004, the State of Michigan passed Public Act 357. This Act provides a temporary funding mechanism as a substitute for state revenue sharing payments to counties. As a result of this new law, the County's levy date began a phased shifting (or acceleration) over a 3-year period from December 1 to July 1 of each year. In 2005, one-third of the tax levy took place on July 1 and two-thirds took place on December 1. In 2006, one-third of the tax levy took place on July 1 and one-third took place on December 1. In 2007, and for each year thereafter, one-hundred percent of the tax levy will take place on July 1. The Act also requires that an amount equal to one-third of the December 2004 tax levy be placed each year for three years into the newly created Revenue Sharing Reserve Fund, a special revenue fund. An annual transfer, in an amount determined by the State of Michigan, is made from the Revenue Sharing Reserve Fund into the General Fund equal to the amount of revenue sharing the County used to receive from the State, adjusted for inflation.

For the year ended December 31, 2006, the County recognized the December 1, 2005 tax levy and the July 1, 2006 tax levy. As required, an amount equal to one-third of the December 2004 tax levy was placed in the Revenue Sharing Reserve Fund.

The assessed value of real and personal property is established by local units, accepted by the County and equalized under State Statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold. Property taxes are levied based on the *taxable* value of the property (as defined under Proposal A). Taxable value is determined by using such factors as equalized value, assessed value, and capped value, along with a value change multiplier.

The taxable value of real and personal property for the December 1, 2005 levy was \$1.4 million. The general operating tax rate for this levy was at the maximum rate of 4.3807 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.1991 mills for the Older Citizens Fund, 0.9971 mills for the Primary Road Fund, 0.4887 mills for the Medical Care Facility, 0.1991 mills for Huron Transit operations.

The taxable value of real and personal property for the July 1, 2006 levy was \$1.5 million. The general operating tax rate for this levy was at the maximum rate of 4.3807 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Retirement Plan

Plan description

The County, Road Commission, and Huron Behavioral Health contribute to defined benefit pension plans with the Michigan Municipal Employees Retirement System (MERS). Separate actuarial valuations are obtained for the County general employees (primary government), for the Road Commission employees and for the Behavioral Health employees (component units).

MERS is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 1134 Municipal Way, Lansing MI 48917 or by calling 1-800-767-6377.

Funding policy

Employees are required to contribute 3% of their annual earnings up to \$4,200 and 5% thereafter to the System. The County, Road Commission, and Huron Behavioral Health are required to contribute at an actuarially determined rate.

Primary government

Annual pension cost

For 2006, the County's annual pension cost was equal to their required contribution. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected salary increases ranging from 4.5% to 8.66% per year, and (c) a 2.5% per year cost-of-living adjustment. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll.

Three year trend information is as follows:

<u>Year Ending</u>	<u>Annually Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2004	989,196	100%	-
12/31/2005	954,755	100%	-
12/31/2006	981,871	100%	-

Road Commission

Annual pension cost

For 2006, the Road Commission made actual contributions of \$253,482 which were made based on the payroll paid rather than the estimated payroll used in the actuarial valuation. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected merit and longevity wage increases ranging from 4.5% to 12.9% per year, with a projected annual payroll increase of 4.5%, (c) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (d) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, and (e) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement. The Road Commission's unfunded actuarial accrued liability is being amortized as a level of percentage payroll.

Three year trend information is as follows:

<u>Year Ending</u>	<u>Annually Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2004	162,144	100%	-
12/31/2005	179,532	100%	-
12/31/2006	250,548	100%	-

Huron Behavioral Health

Annual pension cost

For the year ended September 30, 2006, the Authority's annual pension cost of \$238,864 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

Three year trend information is as follows:

<u>Year Ending</u>	<u>Annually Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2004	234,795	100%	-
12/31/2005	233,468	100%	-
12/31/2006	238,864	100%	-

E. Post-employment Benefits

In addition to pension benefits, the County provides the following benefits to employees who retire.

Health insurance

The County provides post-retirement health care benefits to eligible employees who retire from the County. For employees hired prior to 1997, eligibility depends on minimum years of service ranging from ten to fifteen years and a minimum age of 55 to 60 years. For employees hired after 1996, employees must reach age 60 and must have worked for the County for twenty-five years. For those employees hired prior to 1997, the County pays from 50% to 100% of the insurance. These benefits terminate upon the death of the retired County employee.

The County pays the cost of the benefit out of the Retiree's Health Insurance Fund (a Special Revenue fund). The County General Fund transfers the estimated cost of the benefit to this fund. As of December 31, 2006, the fund balance of this fund was \$319,886. During the year ended December 31, 2006, the County's net expense for premiums paid was \$408,835. Benefits were paid on behalf of 48 former employees.

The Health Department pays the cost of the benefit out of the Health Fund (a Special Revenue fund). During the year ended September 30, 2006, the Health Fund's net expenses for premiums paid was \$42,233. Benefits were paid on behalf of 10 former employees.

The Road Commission provides optional health insurance through Blue Cross to its retired employees depending on their age. The Board pays the premiums for each employee that retires prior to being 65 years old, for a maximum of three years, or until they reach age 65. Those employees who retire or continue coverage after age 65 may obtain coverage through the Road Commission, but are responsible for the full cost of all premiums. For the year ended December 31, 2006, premiums paid by the Road Commission for 5 retired employees were \$40,753 while employee-paid premiums totaled \$227,365. All of the post-employment benefits provided are included in agreements between the Board and employee groups, with all required Board premiums being funded on a pay-as-you-go basis.

The County will be required to adopt GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended December 31, 2008.

The Huron Behavioral Health Authority's defined benefit postemployment healthcare plan, Huron Behavioral Health Postemployment Healthcare Plan (HBHPHP), provides medical benefits to eligible retired employees and their beneficiaries. HBHPHP is affiliated with the Michigan Municipal Employees' Retirement System Retiree Health Funding Vehicle (RHFV), an agent multiple-employer postemployment healthcare plan administered by the MMERS Retirement System. The Statutes of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in RHFV to the respective employer entities; for HBHPHP, that authority rests with the Huron Behavioral Health Board. The MMERS Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for RHFV. That report may be obtained by writing to MMERS Retirement System, 1134 Municipal Way, Lansing, MI 48917, or by calling 1-517-703-9030.

The contribution requirements of plan members and the authority are established and may be amended by the MMERS board of trustees. HBHPHP members receiving benefits contribute based on their years of service. Employees with at least 10 years of full time service and age 55 or older are required to contribute 50% of their health insurance premiums; employees with at least 15 years of full time service and age 55 or older are required to contribute 25% of their health insurance premiums; and employees with at least 20 years of full time service and age 55 or older, or that have at least 10 years of full time service and age 60 or older are not required to contribute to the payment of their health insurance premiums. Only employees hired prior to January 1, 1999 are eligible to receive the post employment health care benefits.

The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 34.12 percent of annual covered payroll.

For 2006, the Authority's annual OPEB cost (expense) of \$601,543 for HBHPHP was equal to the ARC. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2006 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2006	\$601,543	10.40%	\$539,169

The funded status of the plan as of December 31, 2004 was as follows:

Actuarial accrued liability (AAL)	\$ 5,547,589
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,547,589</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,763,106
UAAL as a percentage of covered payroll	314.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2004, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses) an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after eight years. Both include a 4.5 percent inflation assumption. The actuarial value of HBPHP assets was determined using techniques that spread the effects of short-term volatility in the market value of investments.

HBPHP's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2004, was thirty years.

Life insurance

The Road Commission pays the premium for a group life insurance policy in the amount of \$3,000 to \$15,000, for each retired employee. For the year ended December 31, 2006, the Road Commission paid \$1,899 in life insurance premiums on behalf of 33 retired employees. During 2002, the Road Commission elected to drop commercial life insurance policies for the retired employees with \$1,000 of coverage. Instead, they have opted to self-insure the lives of these 11 retired employees. During the year ended December 31, 2005, there were no claims paid under this self-insurance policy, and 11 retirees remaining under this system.

F. Deferred Compensation Plan**General, Road Commission and Huron Behavioral Health employees**

Huron County offers all County employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances are not reflected in Huron County's financial statements.

Huron Transit employees

Huron Transit Corporation offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of Huron Transit Corporation for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement No. 32, plan balances and activities are not reflected in Huron Transit Corporation's financial statements. Employer contributions for the year were \$1,590.

At no time during the fiscal year did the Corporation's pension plan investment portfolio use derivative instruments or products.

G. Fund Equity**Reserved fund balance**

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2006:

Primary government			
General fund	Long-term advances	\$	217,000
Special revenue funds			
Parks	Capital projects	\$	25,200
Enterprise funds			
Delinquent tax revolving fund	Foreclosure	\$	341,310
	Tax administration	\$	48,844

H. Construction Projects

The Medical Care Facility is making significant improvements to its building. The total cost of this program is estimated at \$1,207,000. As of December 31, 2006, the Medical Care Facility had expended \$303,613 on this project.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

General Employees

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1999	27,358,448	30,265,971	2,907,523	90%	8,086,663	35.95%
12/31/2000	30,373,411	34,234,624	3,861,213	89%	8,191,487	47.14%
12/31/2001	32,573,682	37,022,196	4,448,514	88%	8,204,814	54.22%
12/31/2002	33,600,643	40,094,112	6,493,469	84%	8,509,627	76.31%
12/31/2003	36,153,877	42,505,517	6,351,640	85%	8,449,846	75.17%
12/31/2004	38,430,807	44,592,814	6,162,007	86%	8,222,689	74.94%
12/31/2005	40,520,925	46,735,511	6,214,586	87%	8,416,951	73.83%

Road Commission Employees

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1999	15,441,579	13,160,201	(2,281,378)	117%	2,273,748	0.00%
12/31/2000	16,313,899	15,881,803	(432,096)	103%	2,387,777	0.00%
12/31/2001	16,673,821	16,982,168	308,347	98%	2,601,414	11.85%
12/31/2002	16,288,042	17,365,850	1,077,808	94%	2,690,619	40.06%
12/31/2003	16,525,788	17,963,908	1,438,120	92%	2,693,384	53.39%
12/31/2004	16,822,950	19,148,577	2,325,627	88%	2,801,817	83.00%
12/31/2005	17,070,893	19,896,332	2,825,439	86%	2,869,827	98.45%

Schedule of Funding Progress

Huron Behavioral Health

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1999	4,450,609	4,323,070	(127,539)	103%	1,978,712	0.00%
12/31/2000	5,028,314	4,852,899	(175,415)	104%	2,065,726	0.00%
12/31/2001	5,626,469	5,720,701	94,232	98%	2,420,685	3.89%
12/31/2002	6,103,433	6,243,065	139,632	98%	2,522,510	5.54%
12/31/2003	6,898,603	6,770,608	(127,995)	102%	2,451,174	0.00%
12/31/2004	7,668,572	8,006,982	338,410	96%	2,792,539	12.12%
12/31/2005	8,398,615	8,572,965	174,350	98%	2,496,251	6.98%

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 6,359,308	\$ 6,359,308	\$ 6,361,118	\$ 1,810
Licenses and permits	52,550	58,550	55,670	(2,880)
Federal grants	348,269	367,233	337,164	(30,069)
State grants	866,046	902,876	846,419	(56,457)
Charges for services	1,702,608	1,855,433	1,803,691	(51,742)
Fines and forfeitures	93,000	121,000	118,535	(2,465)
Interest	59,256	231,137	236,032	4,895
Rents	304,756	307,086	302,956	(4,130)
Other	47,710	190,229	217,805	27,576
Total revenues	9,833,503	10,392,852	10,279,390	(113,462)
Expenditures:				
Legislative	222,072	234,120	227,540	6,580
Judicial	1,577,703	1,609,163	1,570,977	38,186
General government	2,258,935	2,371,639	2,251,344	120,295
Public safety	2,817,764	2,900,651	2,849,959	50,692
Public works	338,010	349,368	346,489	2,879
Health and welfare	287,732	287,732	283,673	4,059
Economic development	65,800	65,800	65,800	-
Recreation and cultural	52,724	117,847	117,814	33
Other	1,709,084	1,920,353	1,619,343	301,010
Debt service				
Principal	145,000	145,000	145,000	-
Interest	33,400	33,400	33,323	77
Total expenditures	9,508,224	10,035,073	9,511,262	523,811
Excess of revenues over expenditures	325,279	357,779	768,128	410,349
Other financing sources (uses):				
Operating transfers in	1,006,174	1,018,224	1,018,224	-
Operating transfers out	(1,331,453)	(1,376,003)	(1,315,991)	60,012
Total other financing sources (uses)	(325,279)	(357,779)	(297,767)	60,012
Excess of revenues and other financing sources over expenditures and other financing uses	-	-	470,361	470,361
Fund balance, beginning of year	929,186	929,186	929,186	-
Fund balance, end of year	\$ 929,186	\$ 929,186	\$ 1,399,547	\$ 470,361

Huron County, Michigan**General Fund
Schedule of Expenditures by Activity
Budget and Actual
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Legislative:				
Board of commissioners	\$ 222,072	\$ 234,120	\$ 227,540	\$ 6,580
Judicial:				
Circuit court	176,630	186,530	186,467	63
Circuit court - family division	32,786	32,786	32,658	128
District court	474,597	482,997	472,728	10,269
Friend of the court	227,024	228,124	226,875	1,249
Jury commission	2,550	2,550	2,292	258
Probate court	276,062	277,622	276,569	1,053
Juvenile agent	199,790	208,590	208,541	49
Public guardian	115,298	115,298	110,695	4,603
Adult probation	1,000	1,000	336	664
Comm corrections advisory board	48,460	48,460	29,524	18,936
Comm corrections planning	22,506	24,206	24,159	47
Family counseling	1,000	1,000	133	867
Total judicial	1,577,703	1,609,163	1,570,977	38,186
General government:				
Elections	56,500	75,743	75,490	253
Legal counsel	29,097	29,097	9,254	19,843
County clerk	213,532	215,532	215,522	10
Equalization	152,184	159,434	152,537	6,897
Prosecuting attorney	441,815	447,515	420,299	27,216
Register of deeds	120,403	120,403	117,164	3,239
Tax mapping	82,923	83,023	83,016	7
County survey remonumentation	49,931	81,356	79,551	1,805
County treasurer	168,490	179,865	171,532	8,333
Computer information systems	189,931	203,277	200,626	2,651
GIS	23,750	23,750	23,009	741
MSU extension	140,791	140,791	132,733	8,058
Huron county annex	23,700	26,200	24,691	1,509
Courthouse & grounds	321,404	326,204	307,032	19,172
Expo center	10,300	13,900	13,839	61
County property	17,250	27,615	24,584	3,031
County vehicle maintenance	12,200	13,200	13,189	11
Drain commission	148,074	148,074	148,073	1
MSU parenting program	36,000	36,000	18,543	17,457
Huron soil conservation district	9,000	9,000	9,000	-
Underground water supply	11,660	11,660	11,660	-
Total general government	2,258,935	2,371,639	2,251,344	120,295

General Fund
Schedule of Expenditures by Activity
Budget and Actual
For the Year Ended December 31, 2006
(Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Public safety:				
Sheriff	1,439,383	1,480,268	1,464,706	15,562
Criminal justice training	5,000	6,000	5,942	58
Victim advocate	1,000	1,000	55	945
Marine safety	32,175	32,977	31,145	1,832
Secondary road patrol	131,830	131,830	114,868	16,962
Firefighters training	4,100	5,900	5,860	40
Jail operations	1,026,952	1,048,752	1,048,665	87
Emergency service	68,566	76,566	61,958	14,608
Planning commission				
Board of appeals	53,382	59,482	59,460	22
Ambulance	25,700	25,700	25,200	500
Animal control	29,676	32,176	32,100	76
Total public safety	2,817,764	2,900,651	2,849,959	50,692
Public works:				
Department of public works	1,325	1,325	1,232	93
Drain at-large	330,435	330,435	330,435	-
County landfills	6,250	17,608	14,822	2,786
Total public works	338,010	349,368	346,489	2,879
Health and welfare:				
Medical examiners	13,800	13,800	13,500	300
Mental health	260,032	260,032	258,575	1,457
Veterans burials	5,900	5,900	3,675	2,225
Veterans counselor	8,000	8,000	7,923	77
Total health and welfare	287,732	287,732	283,673	4,059
Economic development:				
Economic development corporation	65,800	65,800	65,800	-
Recreation and cultural:				
Ice arena	44,724	109,847	109,814	33
Fair board	7,000	7,000	7,000	-
Nature center	1,000	1,000	1,000	-
Total recreation and cultural	52,724	117,847	117,814	33

General Fund
Schedule of Expenditures by Activity
Budget and Actual
For the Year Ended December 31, 2006
(Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Other:				
Employees' hospital insurance	1,344,571	1,344,571	1,320,086	24,485
Insurance	243,333	243,333	243,323	10
Other fringe benefits	30	30	30	-
Unemployment insurance	2,350	2,350	2,001	349
Bonds	6,800	6,800	6,700	100
Workmen's comp insurance	62,000	62,000	47,203	14,797
Contingency	50,000	261,269	-	261,269
Total other	1,709,084	1,920,353	1,619,343	301,010
Debt service:				
Principal	145,000	145,000	145,000	-
Interest and paying agent fees	33,400	33,400	33,323	77
Total debt service	178,400	178,400	178,323	77
Total expenditures	<u>\$ 9,508,224</u>	<u>\$ 10,035,073</u>	<u>\$ 9,511,262</u>	<u>\$ 523,811</u>

Huron County, Michigan**General Fund
Schedule of Operating Transfers
Budget and Actual
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Transfers In:				
100% Tax payment	\$ 309,006	\$ 309,006	\$ 309,006	\$ -
Revenue reserve	697,168	697,843	697,843	-
Forfeiture and foreclosure	-	11,375	11,375	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating transfers in	<u>\$ 1,006,174</u>	<u>\$ 1,018,224</u>	<u>\$ 1,018,224</u>	<u>\$ -</u>
 Operating Transfers Out:				
Child care	\$ 550,000	\$ 550,000	\$ 490,000	\$ 60,000
Health department				
Contagious disease	20,000	20,400	20,400	-
Family Independence Agency	13,000	13,000	13,000	-
Public improvement	-	23,000	23,000	-
Soldiers' relief	2,000	2,650	2,650	-
Health department	229,953	230,053	230,041	12
Parks	-	10,000	10,000	-
Airport	85,000	95,000	95,000	-
Retirees' health insurance	401,000	401,000	401,000	-
Law library	30,500	30,900	30,900	-
	<u>30,500</u>	<u>30,900</u>	<u>30,900</u>	<u>-</u>
Total operating transfers out	<u>\$ 1,331,453</u>	<u>\$ 1,376,003</u>	<u>\$ 1,315,991</u>	<u>\$ 60,012</u>

Special Revenue Fund
Health Department
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Licenses and permits	\$ 168,495	\$ 164,632	\$ 167,176	\$ 2,544
Federal grants	144,523	139,408	942,973	803,565
State grants	788,190	848,905	216,832	(632,073)
Charges for services	838,546	893,415	864,877	(28,538)
Other	57,925	58,491	50,399	(8,092)
Total revenues	1,997,679	2,104,851	2,242,257	137,406
Expenditures:				
Health and welfare	2,318,699	2,397,012	2,585,208	(188,196)
Excess of revenues under expenditures	(321,020)	(292,161)	(342,951)	(50,790)
Other financing sources:				
Operating transfers in	251,420	251,220	284,220	33,000
Excess of revenues and other financing sources under expenditures	(69,600)	(40,941)	(58,731)	(17,790)
Fund balance, beginning of year	596,373	596,373	596,373	-
Fund balance, end of year	<u>\$ 526,773</u>	<u>\$ 555,432</u>	<u>\$ 537,642</u>	<u>\$ (17,790)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 1,432,861	\$ 1,432,861	\$ 1,419,764	\$ (13,097)
Interest	4,000	4,000	23,223	19,223
Total revenues	1,436,861	1,436,861	1,442,987	6,126
Expenditures:				
Other	1,436,861	1,436,861	1,447,875	(11,014)
Excess of revenues under expenditures	-	-	(4,888)	(4,888)
Fund balance, beginning of year	6,584	6,584	6,584	-
Fund balance, end of year	\$ 6,584	\$ 6,584	\$ 1,696	\$ (4,888)

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 1,976,361	\$ 1,976,361	\$ 1,976,361	\$ -
Interest	35,000	35,000	66,350	31,350
Total revenues	2,011,361	2,011,361	2,042,711	31,350
Other financing uses:				
Operating transfers out	(697,168)	(697,843)	(697,843)	-
Excess of revenues over other financing uses	1,314,193	1,313,518	1,344,868	31,350
Fund balance, beginning of year	2,852,036	2,852,036	2,852,036	-
Fund balance, end of year	<u>\$ 4,166,229</u>	<u>\$ 4,165,554</u>	<u>\$ 4,196,904</u>	<u>\$ 31,350</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
State grants	\$ 42,000	\$ 25,000	\$ 28,219	\$ 3,219
Interest	-	-	6,830	6,830
Rents	1,012,000	1,017,000	998,507	(18,493)
Other	-	-	349	349
Total revenues	1,054,000	1,042,000	1,033,905	(8,095)
Expenditures:				
Recreation and cultural	1,115,000	1,124,000	1,160,895	(36,895)
Excess of revenues under expenditures	(61,000)	(82,000)	(126,990)	(44,990)
Other financing sources:				
Operating transfers in	-	10,000	10,000	-
Excess of revenues and other financing sources under expenditures	(61,000)	(72,000)	(116,990)	(44,990)
Fund balance, beginning of year	224,485	224,485	224,485	-
Fund balance, end of year	<u>\$ 163,485</u>	<u>\$ 152,485</u>	<u>\$ 107,495</u>	<u>\$ (44,990)</u>

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

	Friend of the Court	Public Improvement Fund	Building Department
Assets			
Cash and cash equivalents	\$ -	\$ 1,707	\$ -
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts and interest	-	-	-
Due from other funds	156,853	-	71,549
Due from other governmental units	-	13,536	-
Advances	-	-	-
Total assets	<u>\$ 156,853</u>	<u>\$ 15,243</u>	<u>\$ 71,549</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 527
Accrued liabilities	-	-	6,352
Due to component units	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	6,879
Fund balance:			
Unreserved	<u>156,853</u>	<u>15,243</u>	<u>64,670</u>
Total liabilities and fund balance	<u>\$ 156,853</u>	<u>\$ 15,243</u>	<u>\$ 71,549</u>

Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2006

SPECIAL REVENUE FUNDS

<u>Homestead Pre-Audit</u>	<u>Register of Deeds Automation</u>	<u>Disaster Contingency Fund</u>	<u>Local Correction Officer's Training</u>
\$ 1,887	\$ 38,607	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	2,500	7,611
-	-	-	-
-	-	-	-
<u>\$ 1,887</u>	<u>\$ 38,607</u>	<u>\$ 2,500</u>	<u>\$ 7,611</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,887</u>	<u>38,607</u>	<u>2,500</u>	<u>7,611</u>
<u>\$ 1,887</u>	<u>\$ 38,607</u>	<u>\$ 2,500</u>	<u>\$ 7,611</u>

SPECIAL REVENUE FUNDS

	<u>Airport</u>	<u>Emergency Phone Service Wired</u>	<u>Emergency Phone Service Wireless</u>
Assets			
Cash and cash equivalents	\$ 268	\$ 145,350	\$ -
Investments	-	310,500	-
Receivables			
Property taxes	-	-	-
Accounts and interest	-	123,633	-
Due from other funds	25,297	191,030	-
Due from other governmental units	23,266	-	-
Advances	6,323	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 55,154</u>	<u>\$ 770,513</u>	<u>\$ -</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ 213	\$ -
Accrued liabilities	-	13,055	-
Due to component units	38,990	-	-
Due to other governmental units	-	-	-
Deferred revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	38,990	13,268	-
Fund balance:			
Unreserved	<u>16,164</u>	<u>757,245</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 55,154</u>	<u>\$ 770,513</u>	<u>\$ -</u>

Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2006
(Continued)

SPECIAL REVENUE FUNDS

<u>Drug Law Enforcement</u>	<u>Law Library</u>	<u>Community Development Grant</u>	<u>Revolving Loan Fund</u>
\$ 500	\$ -	\$ -	\$ 394,949
-	-	-	-
-	-	-	-
5,130	1,598	-	102,522
-	-	-	-
-	-	-	-
<u>\$ 5,630</u>	<u>\$ 1,598</u>	<u>\$ -</u>	<u>\$ 497,471</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	102,522
-	-	-	-
-	-	-	102,522
5,630	1,598	-	394,949
<u>\$ 5,630</u>	<u>\$ 1,598</u>	<u>\$ -</u>	<u>\$ 497,471</u>

SPECIAL REVENUE FUNDS

	Department of Human Services	Child Care	Soldiers' Relief
Assets			
Cash and cash equivalents	\$ 17,185	\$ -	\$ -
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts and interest	-	-	-
Due from other funds	10,452	109,530	242
Due from other governmental units	15,202	-	-
Advances	-	-	-
Total assets	<u>\$ 42,839</u>	<u>\$ 109,530</u>	<u>\$ 242</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 6,058	\$ 104,383	\$ -
Accrued liabilities	-	-	-
Due to component units	-	-	-
Due to other governmental units	29,000	-	-
Deferred revenue	152	-	-
Total liabilities	35,210	104,383	-
Fund balance:			
Unreserved	<u>7,629</u>	<u>5,147</u>	<u>242</u>
Total liabilities and fund balance	<u>\$ 42,839</u>	<u>\$ 109,530</u>	<u>\$ 242</u>

Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2006
(Continued)

SPECIAL REVENUE FUNDS

Veterans' Trust	Veterans' Affairs	Older Citizens' Fund	Retirees' Health Insurance	Total
\$ -	\$ -	\$ 363,918	\$ 119,886	\$ 1,084,257
-	-	-	-	310,500
-	119,614	304,502	-	424,116
-	-	1,556	-	227,711
934	-	39	200,000	782,765
-	-	-	-	52,004
-	-	-	-	6,323
<u>\$ 934</u>	<u>\$ 119,614</u>	<u>\$ 670,015</u>	<u>\$ 319,886</u>	<u>\$ 2,887,676</u>
\$ -	\$ -	\$ -	\$ -	111,181
-	-	-	-	19,407
-	-	-	-	38,990
-	-	-	-	29,000
-	119,614	304,502	-	526,790
-	119,614	304,502	-	725,368
934	-	365,513	319,886	2,162,308
<u>\$ 934</u>	<u>\$ 119,614</u>	<u>\$ 670,015</u>	<u>\$ 319,886</u>	<u>\$ 2,887,676</u>

SPECIAL REVENUE FUNDS

	Friend of the Court	Public Improvement Fund	Building Department
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	341,848
Federal grants	-	13,536	-
State grants	-	-	-
Charges for services	9,810	-	-
Fines and forfeitures	-	-	-
Interest	-	934	-
Rents	-	-	-
Other	-	-	27
	<u>-</u>	<u>-</u>	<u>27</u>
Total revenues	9,810	14,470	341,875
Expenditures:			
Current			
Judicial	6,234	-	-
General government	-	85,480	-
Public safety	-	-	370,955
Public works	-	-	-
Health and welfare	-	-	-
Economic development	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	6,234	85,480	370,955
Excess of revenues over (under) expenditures	3,576	(71,010)	(29,080)
Other financing sources (uses):			
Operating transfers in	-	23,000	-
Operating transfers out	-	-	(10,909)
	<u>-</u>	<u>-</u>	<u>(10,909)</u>
Total other financing sources (uses)	-	23,000	(10,909)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	3,576	(48,010)	(39,989)
Fund balance, beginning of year	153,277	63,253	104,659
Fund balance, end of year	<u>\$ 156,853</u>	<u>\$ 15,243</u>	<u>\$ 64,670</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2006

<u>SPECIAL REVENUE FUNDS</u>			
<u>Homestead Pre-Audit</u>	<u>Register of Deeds Automation</u>	<u>Disaster Contingency Fund</u>	<u>Local Correction Officer's Training</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	47,775	-	10,960
-	-	-	-
546	183	-	-
-	-	-	-
-	-	-	-
<u>546</u>	<u>47,958</u>	<u>-</u>	<u>10,960</u>
-	-	-	-
300	56,110	-	-
-	-	-	7,271
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>300</u>	<u>56,110</u>	<u>-</u>	<u>7,271</u>
246	(8,152)	-	3,689
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
246	(8,152)	-	3,689
1,641	46,759	2,500	3,922
<u>\$ 1,887</u>	<u>\$ 38,607</u>	<u>\$ 2,500</u>	<u>\$ 7,611</u>

SPECIAL REVENUE FUNDS

	Airport	Emergency Phone Service Wired	Emergency Phone Service Wireless
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal grants	235,487	22,000	-
State grants	356,144	-	-
Charges for services	1,248	763,822	121,858
Fines and forfeitures	-	-	-
Interest	-	20,134	-
Rents	7,275	-	-
Other	660	3,425	-
Total revenues	600,814	809,381	121,858
Expenditures:			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	629,619	121,871
Public works	705,869	-	-
Health and welfare	-	-	-
Economic development	-	-	-
Other	-	-	-
Debt service			
Principal	1,501	-	-
Interest and fees	222	-	-
Total expenditures	707,592	629,619	121,871
Excess of revenues over (under) expenditures	(106,778)	179,762	(13)
Other financing sources (uses):			
Operating transfers in	95,000	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	95,000	-	-
Net change in fund balance	(11,778)	179,762	(13)
Fund balance, beginning of year	27,942	577,483	13
Fund balance, end of year	\$ 16,164	\$ 757,245	\$ -

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2006
(Continued)

SPECIAL REVENUE FUNDS

Drug Law Enforcement	Law Library	Community Development Grant	Revolving Loan Fund
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	54,593	-
-	-	-	-
-	4,500	-	-
-	-	-	23,876
-	-	-	-
-	-	-	121,611
-	4,500	54,593	145,487
-	35,327	-	-
2,528	-	-	-
-	-	-	-
-	-	54,593	20,900
-	-	-	-
-	-	-	-
2,528	35,327	54,593	20,900
(2,528)	(30,827)	-	124,587
-	30,900	-	-
-	-	-	-
-	30,900	-	-
(2,528)	73	-	124,587
8,158	1,525	-	270,362
\$ 5,630	\$ 1,598	\$ -	\$ 394,949

SPECIAL REVENUE FUNDS

	Department of Human Services	Child Care	Soldiers' Relief
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal grants	-	-	-
State grants	205,438	20,564	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest	-	-	-
Rents	-	-	-
Other	5,914	59,965	-
Total revenues	211,352	80,529	-
Expenditures:			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	230,021	566,104	3,807
Economic development	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	230,021	566,104	3,807
Excess of revenues over (under) expenditures	(18,669)	(485,575)	(3,807)
Other financing sources (uses):			
Operating transfers in	13,000	490,000	2,650
Operating transfers out	-	-	-
Total other financing sources (uses)	13,000	490,000	2,650
Net change in fund balance	(5,669)	4,425	(1,157)
Fund balance, beginning of year	13,298	722	1,399
Fund balance, end of year	\$ 7,629	\$ 5,147	\$ 242

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2006
(Continued)

SPECIAL REVENUE FUNDS

Veterans' Trust	Veterans' Affairs	Older Citizens' Fund	Retirees' Health Insurance	Total
\$ -	\$ -	\$ 283,345	\$ -	\$ 283,345
-	-	-	-	341,848
-	-	-	-	325,616
4,620	-	-	-	586,766
-	-	-	-	955,473
-	-	-	-	4,500
-	-	17,284	5,317	68,274
-	-	-	-	7,275
-	-	-	-	191,602
4,620	-	300,629	5,317	2,764,699
-	-	-	-	41,561
-	-	-	-	141,890
-	-	-	-	1,132,244
-	-	-	-	705,869
4,529	-	249,348	-	1,053,809
-	-	-	-	75,493
-	-	-	408,835	408,835
-	-	-	-	1,501
-	-	-	-	222
4,529	-	249,348	408,835	3,561,424
91	-	51,281	(403,518)	(796,725)
-	-	-	611,909	1,266,459
-	-	(33,000)	-	(43,909)
-	-	(33,000)	611,909	1,222,550
91	-	18,281	208,391	425,825
843	-	347,232	111,495	1,736,483
\$ 934	\$ -	\$ 365,513	\$ 319,886	\$ 2,162,308

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

FRIEND OF THE COURT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 10,000	\$ 9,810	\$ (190)
Expenditures:			
Judicial	7,350	6,234	1,116
Excess of revenues over expenditures	2,650	3,576	926
Other financing uses:			
Operating transfers out	(2,650)	-	2,650
Excess of revenues over expenditures and other financing uses	-	3,576	3,576
Fund balance, beginning of year	153,277	153,277	-
Fund balance, end of year	<u>\$ 153,277</u>	<u>\$ 156,853</u>	<u>\$ 3,576</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

PUBLIC IMPROVEMENT FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal grants	\$ -	\$ 13,536	\$ 13,536
Interest	925	934	9
Total revenues	925	14,470	13,545
Expenditures:			
General government	85,500	85,480	20
Excess of revenues over (under) expenditures	(84,575)	(71,010)	13,565
Other financing sources:			
Operating transfers in	23,000	23,000	-
Excess of revenues and other financing sources over (under) expenditures	(61,575)	(48,010)	13,565
Fund balance, beginning of year	63,253	63,253	-
Fund balance, end of year	<u>\$ 1,678</u>	<u>\$ 15,243</u>	<u>\$ 13,565</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

BUILDING DEPARTMENT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses and permits	\$ 410,000	\$ 341,848	\$ (68,152)
Other	250	27	(223)
Total revenues	410,250	341,875	(68,375)
Expenditures:			
Public safety	384,715	370,955	13,760
Excess of revenues over (under) expenditures	25,535	(29,080)	(54,615)
Other financing uses:			
Operating transfers out	(25,535)	(10,909)	14,626
Excess of revenues under expenditures and other financing uses	-	(39,989)	(39,989)
Fund balance, beginning of year	104,659	104,659	-
Fund balance, end of year	<u>\$ 104,659</u>	<u>\$ 64,670</u>	<u>\$ (39,989)</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

HOMESTEAD PRE-AUDIT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ -	\$ 546	\$ 546
Expenditures:			
General government	-	300	(300)
Excess of revenues over expenditures	-	246	246
Fund balance, beginning of year	1,641	1,641	-
Fund balance, end of year	<u>\$ 1,641</u>	<u>\$ 1,887</u>	<u>\$ 246</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

REGISTER OF DEEDS AUTOMATION

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 45,000	\$ 47,775	\$ 2,775
Interest	200	183	(17)
Total revenues	45,200	47,958	2,758
Expenditures:			
General government	69,000	56,110	12,890
Excess of revenues over (under) expenditures	(23,800)	(8,152)	15,648
Other financing uses:			
Operating transfers out	(35,200)	-	35,200
Excess of revenues over (under) expenditures and other financing uses	(59,000)	(8,152)	50,848
Fund balance, beginning of year	46,759	46,759	-
Fund balance, end of year	\$ (12,241)	\$ 38,607	\$ 50,848

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

DISASTER CONTINGENCY FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
General government	-	-	-
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	2,500	2,500	-
Fund balance, end of year	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

LOCAL CORRECTION OFFICER'S TRAINING

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 8,500	\$ 10,960	\$ 2,460
Expenditures:			
Public safety	11,400	7,271	4,129
Excess of revenues over (under) expenditures	(2,900)	3,689	6,589
Fund balance, beginning of year	3,922	3,922	-
Fund balance, end of year	<u>\$ 1,022</u>	<u>\$ 7,611</u>	<u>\$ 6,589</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

AIRPORT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal grants	\$ -	\$ 235,487	\$ 235,487
State grants	-	356,144	356,144
Charges for services	1,250	1,248	(2)
Rents	7,500	7,275	(225)
Other	200	660	460
Total revenues	8,950	600,814	591,864
Expenditures:			
Public works	101,300	705,869	(604,569)
Debt service			
Principal	1,450	1,501	(51)
Interest and fees	300	222	78
Total expenditures	103,050	707,592	(604,542)
Excess of revenues under expenditures	(94,100)	(106,778)	(12,678)
Other financing sources:			
Operating transfers in	95,000	95,000	-
Excess of revenues and other financing sources over (under) expenditures	900	(11,778)	(12,678)
Fund balance, beginning of year	27,942	27,942	-
Fund balance, end of year	\$ 28,842	\$ 16,164	\$ (12,678)

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

EMERGENCY PHONE SERVICE - WIRED

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal grants	\$ 22,000	\$ 22,000	\$ -
Charges for services	774,000	763,822	(10,178)
Interest	1,000	20,134	19,134
Other	-	3,425	3,425
	<u>797,000</u>	<u>809,381</u>	<u>12,381</u>
Expenditures:			
Public safety	764,051	629,619	134,432
Excess of revenues over expenditures	32,949	179,762	146,813
Other financing uses:			
Operating transfers out	(138,000)	-	138,000
Excess of revenues over (under) expenditures and other financing uses	(105,051)	179,762	284,813
Fund balance, beginning of year	577,483	577,483	-
Fund balance, end of year	<u>\$ 472,432</u>	<u>\$ 757,245</u>	<u>\$ 284,813</u>

EMERGENCY PHONE SERVICE - WIRELESS

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 80,000	\$ 121,858	\$ 41,858
Expenditures:			
Public safety	80,000	121,871	(41,871)
Excess of revenues under expenditures	-	(13)	(13)
Fund balance, beginning of year	-	13	13
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

DRUG LAW ENFORCEMENT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	\$ -	\$ -	\$ -
Expenditures:			
Public safety	<u>2,600</u>	<u>2,528</u>	<u>72</u>
Excess of revenues over (under) expenditures	(2,600)	(2,528)	72
Fund balance, beginning of year	<u>8,158</u>	<u>8,158</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,558</u></u>	<u><u>\$ 5,630</u></u>	<u><u>\$ 72</u></u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

LAW LIBRARY

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	\$ 4,500	\$ 4,500	\$ -
Expenditures:			
Judicial	35,000	35,327	(327)
Excess of revenues under expenditures	(30,500)	(30,827)	(327)
Other financing sources:			
Operating transfers in	30,500	30,900	400
Excess of revenues and other financing sources over expenditures	-	73	73
Fund balance, beginning of year	1,525	1,525	-
Fund balance, end of year	<u>\$ 1,525</u>	<u>\$ 1,598</u>	<u>\$ 73</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

COMMUNITY DEVELOPMENT GRANT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal grants	\$ 50,000	\$ 54,593	\$ 4,593
Expenditures:			
Economic development	50,000	54,593	(4,593)
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

REVOLVING LOAN FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 5,000	\$ 23,876	\$ 18,876
Other	105,000	121,611	16,611
Total revenues	110,000	145,487	35,487
Expenditures:			
Economic development	110,000	20,900	89,100
Excess of revenues over expenditures	-	124,587	124,587
Fund balance, beginning of year	270,362	270,362	-
Fund balance, end of year	<u>\$ 270,362</u>	<u>\$ 394,949</u>	<u>\$ 124,587</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

DEPARTMENT OF HUMAN SERVICES

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 231,000	\$ 205,438	\$ (25,562)
Other	-	5,914	5,914
Total revenues	231,000	211,352	(19,648)
Expenditures:			
Health and welfare	244,000	230,021	13,979
Excess of revenues under expenditures	(13,000)	(18,669)	(5,669)
Other financing sources:			
Operating transfers in	13,000	13,000	-
Excess of revenues and other financing sources under expenditures	-	(5,669)	(5,669)
Fund balance, beginning of year	13,298	13,298	-
Fund balance, end of year	<u>\$ 13,298</u>	<u>\$ 7,629</u>	<u>\$ (5,669)</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

	CHILD CARE		
	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 90,000	\$ 20,564	\$ (69,436)
Other	43,000	59,965	16,965
Total revenues	133,000	80,529	(52,471)
Expenditures:			
Health and welfare	683,000	566,104	116,896
Excess of revenues over (under) expenditures	(550,000)	(485,575)	64,425
Other financing sources:			
Operating transfers in	550,000	490,000	(60,000)
Excess of revenues and other financing sources over expenditures	-	4,425	4,425
Fund balance, beginning of year	722	722	-
Fund balance, end of year	\$ 722	\$ 5,147	\$ 4,425

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

SOLDIERS' RELIEF

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
Health and welfare	3,700	3,807	(107)
Excess of revenues under expenditures	(3,700)	(3,807)	(107)
Other financing sources:			
Operating transfers in	2,500	2,650	150
Excess of revenues and other financing sources over (under) expenditures	(1,200)	(1,157)	43
Fund balance, beginning of year	1,399	1,399	-
Fund balance, end of year	\$ 199	\$ 242	\$ 43

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

VETERANS' TRUST

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 4,500	\$ 4,620	\$ 120
Expenditures:			
Health and welfare	4,500	4,529	(29)
Excess of revenues over expenditures	-	91	91
Fund balance, beginning of year	843	843	-
Fund balance, end of year	<u>\$ 843</u>	<u>\$ 934</u>	<u>\$ 91</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

OLDER CITIZENS' FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 285,861	\$ 283,345	\$ (2,516)
Interest	3,000	17,284	14,284
Total revenues	288,861	300,629	11,768
Expenditures:			
Health and welfare	249,227	249,348	(121)
Excess of revenues over expenditures	39,634	51,281	11,647
Other financing uses:			
Operating transfers out	(33,000)	(33,000)	-
Excess of revenues over expenditures and other financing uses	6,634	18,281	11,647
Fund balance, beginning of year	347,232	347,232	-
Fund balance, end of year	\$ 353,866	\$ 365,513	\$ 11,647

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

RETIREEES' HEALTH INSURANCE

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 2,200	\$ 5,317	\$ 3,117
Expenditures:			
Other	420,950	408,835	12,115
Excess of revenues over (under) expenditures	(418,750)	(403,518)	15,232
Other financing sources (uses):			
Operating transfers in	611,909	611,909	-
Operating transfers out	(11,109)	-	11,109
Total other financing sources (uses)	600,800	611,909	11,109
Excess of revenues and other financing sources over expenditures and other financing uses	182,050	208,391	26,341
Fund balance, beginning of year	111,495	111,495	-
Fund balance, end of year	\$ 293,545	\$ 319,886	\$ 26,341

NONMAJOR ENTERPRISE FUNDS

**Nonmajor Enterprise Fund
Statement of Net Assets
December 31, 2006**

	<u>Commissary Fund</u>
Assets:	
Due from other funds	\$ 20,597
Liabilities:	
Accounts payable	<u>359</u>
Net assets:	
Unrestricted	<u>\$ 20,238</u>

**Nonmajor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006**

	<u>Commissary Fund</u>
Operating revenues:	
Charges for services	\$ 34,695
Operating expenses:	
Supplies	<u>28,099</u>
Operating income	6,596
Net assets, beginning of year	<u>13,642</u>
Net assets, end of year	<u><u>\$ 20,238</u></u>

**Nonmajor Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 2006**

	Commissary Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 34,695
Cash payments to suppliers	(28,684)
Internal activity	(6,011)
	<hr/>
Net cash provided by operating activities	-
Cash and cash equivalents, beginning of year	-
	<hr/>
Cash and cash equivalents, end of year	\$ -
	<hr/> <hr/>
Reconciliation of net income to net cash provided by operating activities:	
Operating income for the year	\$ 6,596
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Due from other funds	(6,011)
Accounts payable	(585)
	<hr/>
Net cash provided by operating activities	\$ -
	<hr/> <hr/>

DELINQUENT TAX REVOLVING FUNDS

	State Education Tax Collect	Forfeiture and Foreclosure	100% Tax Payment	2001 Delinquent Revolving
Assets:				
Current assets:				
Cash and cash equivalents	\$ 40,110	\$ 134,457	\$ 831,529	\$ -
Investments	-	204,807	1,601,513	-
Accounts receivable				
Property taxes	-	-	119,449	-
Accounts and interest	-	2,306	13,854	-
Due from other funds	-	-	540,015	-
Due from other governmental units	-	-	9,390	-
Total current assets	40,110	341,570	3,115,750	-
Non-current assets:				
Delinquent taxes	-	-	137,859	-
Total assets	40,110	341,570	3,253,609	-
Liabilities:				
Current liabilities:				
Accounts payable	-	-	530	-
Due to other governmental units	2,283	260	-	-
Due to other funds	-	-	-	-
Total liabilities	2,283	260	530	-
Net assets:				
Restricted				
Foreclosure	-	341,310	-	-
Tax administration	-	-	48,844	-
Unrestricted	37,827	-	3,204,235	-
Total net assets	\$ 37,827	\$ 341,310	\$ 3,253,079	\$ -

Delinquent Tax Revolving
Combining Statement of Net Assets
December 31, 2006

2002 Delinquent Revolving	2003 Delinquent Revolving	2004 Delinquent Revolving	2005 Delinquent Revolving	2006 Delinquent Revolving	Total
101,094	\$ 10,637	\$ 174,551	\$ 191,611	\$ 2,012	\$ 1,486,001
-	-	-	-	-	1,806,320
4	649	143,003	474,980	-	738,085
-	-	-	-	-	16,160
275,000	350,000	-	-	-	1,165,015
2,092	940	2,640	2,545	-	17,607
378,190	362,226	320,194	669,136	2,012	5,229,188
-	-	30,064	691,166	-	859,089
378,190	362,226	350,258	1,360,302	2,012	6,088,277
-	-	-	-	-	530
-	-	-	-	-	2,543
-	-	-	1,164,979	-	1,164,979
-	-	-	1,164,979	-	1,168,052
-	-	-	-	-	341,310
-	-	-	-	-	48,844
378,190	362,226	350,258	195,323	2,012	4,530,071
<u>\$ 378,190</u>	<u>\$ 362,226</u>	<u>\$ 350,258</u>	<u>\$ 195,323</u>	<u>\$ 2,012</u>	<u>\$ 4,920,225</u>

Huron County, Michigan

	State Education Tax Collect	Forfeiture and Foreclosure	100% Tax Payment	2001 Delinquent Revolving
Operating revenues:				
Charges for services	\$ 8,903	\$ 154,189	\$ 28,494	\$ -
Other	<u>4,754</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	13,657	154,189	28,494	-
Operating expenses:				
Personal services	-	-	45,859	-
Supplies	3,021	7,541	-	-
Other services and charges	<u>468</u>	<u>49,687</u>	<u>9,415</u>	<u>-</u>
Total operating expenses	<u>3,489</u>	<u>57,228</u>	<u>55,274</u>	<u>-</u>
Operating income (loss)	10,168	96,961	(26,780)	-
Non-operating revenues:				
Interest	<u>1,041</u>	<u>13,657</u>	<u>65,197</u>	<u>10,558</u>
Net income before operating transfers	11,209	110,618	38,417	10,558
Operating transfers out:				
Operating transfers out	<u>-</u>	<u>(11,375)</u>	<u>(309,006)</u>	<u>-</u>
Net income (loss)	11,209	99,243	(270,589)	10,558
Net assets, beginning of year	26,618	242,067	3,154,813	358,297
Equity transfers	<u>-</u>	<u>-</u>	<u>368,855</u>	<u>(368,855)</u>
Net assets, end of year	<u>\$ 37,827</u>	<u>\$ 341,310</u>	<u>\$ 3,253,079</u>	<u>\$ -</u>

Delinquent Tax Revolving

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

<u>2002 Delinquent Revolving</u>	<u>2003 Delinquent Revolving</u>	<u>2004 Delinquent Revolving</u>	<u>2005 Delinquent Revolving</u>	<u>2006 Delinquent Revolving</u>	<u>Total</u>
\$ -	\$ 48,749	\$ 178,421	\$ 183,184	\$ 2,011	\$ 603,951
-	-	-	-	-	4,754
-	48,749	178,421	183,184	2,011	608,705
-	-	-	-	-	45,859
-	-	-	-	-	10,562
10	-	-	-	-	59,580
10	-	-	-	-	116,001
(10)	48,749	178,421	183,184	2,011	492,704
9,185	10,209	20,226	11,291	1	141,365
9,175	58,958	198,647	194,475	2,012	634,069
-	-	-	-	-	(320,381)
9,175	58,958	198,647	194,475	2,012	313,688
369,015	303,268	151,611	848	-	4,606,537
-	-	-	-	-	-
<u>\$ 378,190</u>	<u>\$ 362,226</u>	<u>\$ 350,258</u>	<u>\$ 195,323</u>	<u>\$ 2,012</u>	<u>\$ 4,920,225</u>

Huron County, Michigan

	State Education Tax Collect	Forfeiture and Foreclosure	100% Tax Payment	2001 Delinquent Revolving
Cash flows from operating activities:				
Cash receipts from customers	\$ 13,657	\$ 152,761	\$ 247,865	\$ 163
Cash payments to suppliers	(5,268)	(57,088)	(55,195)	-
Cash payments for delinquent taxes	-	-	(287,480)	-
Net cash provided (used) by operating activities	8,389	95,673	(94,810)	163
Cash flows from noncapital financing activities:				
Interfund borrowings - net	-	-	861,537	250,000
Equity transfers from (to) other funds	-	-	368,855	(368,855)
Operating transfers out	-	(11,375)	(309,006)	-
Net cash provided (used) by non-capital financing activities	-	(11,375)	921,386	(118,855)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	-	-	1,025,000	350,000
Investment income	1,041	13,657	65,197	10,558
Purchases of investments	-	(204,807)	(1,801,513)	(350,000)
Net cash provided (used) by investing activities	1,041	(191,150)	(711,316)	10,558
Net increase (decrease) in cash and cash equivalents	9,430	(106,852)	115,260	(108,134)
Cash and cash equivalents, beginning of year	30,680	241,309	716,269	108,134
Cash and cash equivalents, end of year	<u>\$ 40,110</u>	<u>\$ 134,457</u>	<u>\$ 831,529</u>	<u>\$ -</u>
Reconciliation of net income to net cash provided (used) by operating activities:				
Operating income (loss) for the year	\$ 10,168	\$ 96,961	\$ (26,780)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Receivables	-	(1,428)	(12,848)	-
Due from other governmental units	-	-	(9,163)	66
Delinquent taxes	-	-	(46,098)	97
Accounts payable	-	-	79	-
Due to other governmental units	(1,779)	140	-	-
Net cash provided (used) by operating activities	<u>\$ 8,389</u>	<u>\$ 95,673</u>	<u>\$ (94,810)</u>	<u>\$ 163</u>

Delinquent Tax Revolving
Combining Statement of Cash Flows
For the Year Ended December 31, 2006

2002 Delinquent Revolving	2003 Delinquent Revolving	2004 Delinquent Revolving	2005 Delinquent Revolving	2006 Delinquent Revolving	Total
\$ (1,704)	\$ 168,112	\$ 1,050,876	\$ 2,470,323	\$ 2,011	\$ 4,104,064
(10)	-	-	-	-	(117,561)
-	-	-	(3,455,830)	-	(3,743,310)
(1,714)	168,112	1,050,876	(985,507)	2,011	243,193
(275,000)	(844,863)	(1,156,421)	1,164,979	-	232
-	-	-	-	-	-
-	-	-	-	-	(320,381)
(275,000)	(844,863)	(1,156,421)	1,164,979	-	(320,149)
259,183	540,589	400,000	-	-	2,574,772
9,185	10,209	20,226	11,291	1	141,365
-	-	(400,000)	-	-	(2,756,320)
268,368	550,798	20,226	11,291	1	(40,183)
(8,346)	(125,953)	(85,319)	190,763	2,012	(117,139)
109,440	136,590	259,870	848	-	1,603,140
<u>\$ 101,094</u>	<u>\$ 10,637</u>	<u>\$ 174,551</u>	<u>\$ 191,611</u>	<u>\$ 2,012</u>	<u>\$ 1,486,001</u>
\$ (10)	\$ 48,749	\$ 178,421	\$ 183,184	\$ 2,011	\$ 492,704
93	271	-	-	-	(13,912)
(1,827)	(365)	20,326	(2,545)	-	6,492
30	119,457	852,129	(1,166,146)	-	(240,531)
-	-	-	-	-	79
-	-	-	-	-	(1,639)
<u>\$ (1,714)</u>	<u>\$ 168,112</u>	<u>\$ 1,050,876</u>	<u>\$ (985,507)</u>	<u>\$ 2,011</u>	<u>\$ 243,193</u>

NONMAJOR INTERNAL SERVICE FUNDS

Nonmajor Internal Service Funds
Combining Statement of Net Assets
December 31, 2006

	Workers Compensation Fund	Fringe Benefits Fund	Total
Assets:			
Receivables			
Accounts and interest	\$ 100,154	\$ -	\$ 100,154
Due from other funds	627,321	660,836	1,288,157
Prepaid expenses	36,856	149,196	186,052
	<u>764,331</u>	<u>810,032</u>	<u>1,574,363</u>
Total assets			
	764,331	810,032	1,574,363
Liabilities:			
Accounts payable	166,448	316,680	483,128
Deferred revenue	93,519	-	93,519
	<u>259,967</u>	<u>316,680</u>	<u>576,647</u>
Total liabilities			
	259,967	316,680	576,647
Net assets:			
Unrestricted	<u>\$ 504,364</u>	<u>\$ 493,352</u>	<u>\$ 997,716</u>

Nonmajor Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

	Workers Compensation Fund	Fringe Benefits Fund	Total
Operating revenues:			
Other	\$ 165,854	\$ 2,461,315	\$ 2,627,169
Operating expenses:			
Personal services	<u>81,439</u>	<u>2,211,552</u>	<u>2,292,991</u>
Operating income	84,415	249,763	334,178
Non-operating revenues:			
Interest	<u>27,015</u>	<u>-</u>	<u>27,015</u>
Net income before operating transfers	111,430	249,763	361,193
Operating transfers:			
Operating transfers out	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Net income	111,430	49,763	161,193
Net assets, beginning of year	<u>392,934</u>	<u>443,589</u>	<u>836,523</u>
Net assets, end of year	<u><u>\$ 504,364</u></u>	<u><u>\$ 493,352</u></u>	<u><u>\$ 997,716</u></u>

Nonmajor Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended December 31, 2006

	Workers Compensation Fund	Fringe Benefits Fund	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 81,059	\$ 2,458,096	\$ 2,539,155
Cash payments to suppliers	<u>(108,074)</u>	<u>(2,258,096)</u>	<u>(2,366,170)</u>
Net cash provided (used) by operating activities	(27,015)	200,000	172,985
Cash flows from noncapital financing activities:			
Operating transfers out	-	(200,000)	(200,000)
Cash flows from investing activities:			
Investment income	<u>27,015</u>	<u>-</u>	<u>27,015</u>
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of net income to net cash used by operating activities:			
Operating income for the year	\$ 84,415	\$ 249,763	\$ 334,178
Adjustments to reconcile operating income to net cash used by operating activities			
Change in assets and liabilities:			
Receivables	(84,795)	45,770	(39,025)
Prepaid expenses	-	(48,989)	(48,989)
Accounts payable	(8,138)	(46,544)	(54,682)
Deferred revenue	<u>(18,497)</u>	<u>-</u>	<u>(18,497)</u>
Net cash used by operating activities	<u><u>\$ (27,015)</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 172,985</u></u>

FIDUCIARY FUNDS

Agency Funds
Combining Statement of Fiduciary Net Assets
December 31, 2006

	Library Fund	Trust and Agency Fund	Total
Assets			
Cash and cash equivalents	\$ 60,988	\$ 254,590	\$ 315,578
Due from other funds	7,644	896,019	903,663
Total assets	<u>\$ 68,632</u>	<u>\$ 1,150,609</u>	<u>\$ 1,219,241</u>
Liabilities			
Accounts payable	\$ -	\$ 27,916	\$ 27,916
Undistributed tax collections	-	893,789	893,789
Due to other governmental units	68,632	228,904	297,536
Total liabilities	<u>\$ 68,632</u>	<u>\$ 1,150,609</u>	<u>\$ 1,219,241</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
December 31, 2006

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Assets				
		TOTAL AGENCY FUNDS		
Cash and cash equivalents	\$ 986,596	\$ 2,171,777	\$ 2,842,795	\$ 315,578
Due from other funds	824,670	32,035,510	31,956,517	903,663
Total assets	<u>\$ 1,811,266</u>	<u>\$ 34,207,287</u>	<u>\$ 34,799,312</u>	<u>\$ 1,219,241</u>
Liabilities				
Accounts payable	\$ 54,180	\$ 10,806,225	\$ 10,779,961	\$ 27,916
Undistributed tax collections	1,447,348	8,591,519	8,037,960	893,789
Due to other funds	-	3,570,857	3,570,857	-
Due to other governmental units	309,738	15,432,565	15,420,363	297,536
Total liabilities	<u>\$ 1,811,266</u>	<u>\$ 38,401,166</u>	<u>\$ 37,809,141</u>	<u>\$ 1,219,241</u>
Assets				
		LIBRARY FUND		
Cash and cash equivalents	\$ 64,521	\$ 125,634	\$ 129,167	\$ 60,988
Due from other funds	11,336	250,776	254,468	7,644
Total assets	<u>\$ 75,857</u>	<u>\$ 376,410</u>	<u>\$ 383,635</u>	<u>\$ 68,632</u>
Liabilities				
Due to other governmental units	<u>\$ 75,857</u>	<u>\$ 129,167</u>	<u>\$ 121,942</u>	<u>\$ 68,632</u>
Assets				
		TRUST AND AGENCY FUND		
Cash and cash equivalents	\$ 922,075	\$ 2,046,143	\$ 2,713,628	\$ 254,590
Due from other funds	813,334	31,784,734	31,702,049	896,019
Total assets	<u>\$ 1,735,409</u>	<u>\$ 33,830,877</u>	<u>\$ 34,415,677</u>	<u>\$ 1,150,609</u>
Liabilities				
Accounts payable	\$ 54,180	\$ 10,806,225	\$ 10,779,961	\$ 27,916
Undistributed tax collections	1,447,348	8,591,519	8,037,960	893,789
Due to other funds	-	3,570,857	3,570,857	-
Due to other governmental units	233,881	15,303,398	15,298,421	228,904
Total liabilities	<u>\$ 1,735,409</u>	<u>\$ 38,271,999</u>	<u>\$ 37,687,199</u>	<u>\$ 1,150,609</u>

COMPONENT UNIT

DEPARTMENT OF PUBLIC WORKS

Assets

Cash and cash equivalents	\$ 175,548
Contracts receivable	<u>7,069,116</u>
Total assets	<u><u>\$ 7,244,664</u></u>

Liabilities and Fund Balance**Liabilities:**

Deferred revenue	\$ 7,069,116
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Fund balance:

Reserved	
Capital projects	175,381
Debt service	<u>167</u>

Total fund balance	<u>175,548</u>
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Total liabilities and fund balance	<u><u>\$ 7,244,664</u></u>
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**Reconciliation of Fund Balance on the Balance Sheet for the
Department of Public Works Fund to Net Assets of Governmental Activities
on the Statement of Net Assets
December 31, 2006**

Fund balance, DPW fund	\$ 175,548
Amounts not available in the DPW funds that increase the contract receivable on the government wide statements.	31,628
Amounts reported for governmental activities in the statement of net assets are different because:	
Due from other governmental units is not reported as revenues in the other funds until collected	7,069,116
Current liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest on bonds payable	(31,628)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds	<u>(7,069,116)</u>
Net assets, DPW fund	<u><u>\$ 175,548</u></u>

Department of Public Works
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

Revenues:

Loan proceeds	\$ 2,322,698
Contributions from local units	644,546
Interest	<u>7,895</u>
Total revenues	2,975,139

Expenditures:

Capital outlay	2,322,788
Debt service	
Principal	425,000
Interest and fees	<u>219,546</u>
Total expenditures	<u>2,967,334</u>

Excess of revenues over expenditures	7,805
Fund balance, beginning of year	<u>167,743</u>
Fund balance, end of year	<u><u>\$ 175,548</u></u>

**Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of Department of Public Works
to the Statement of Activities
December 31, 2006**

Net change in fund balance, DPW fund	\$ 7,805
Amounts billed to other governments for new construction.	2,322,698
Collections of amounts due from other governmental units is reported as revenue in the governmental funds, but the payments reduce the amount due from other governmental units in the statement of net assets.	(425,000)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.	
Long-term debt proceeds	(2,322,698)
Principal payments on long-term debt	<u>425,000</u>
Change in net assets, DPW fund	<u><u>\$ 7,805</u></u>

COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION

Assets

Cash and cash equivalents	\$ 37,718
Receivables	
Accounts and interest	<u>10,894</u>
Total assets	<u><u>\$ 48,612</u></u>

Liabilities and Fund Balance**Liabilities:**

Payables and current liabilities	\$ 11,167
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Fund balance:

Unreserved	<u>37,445</u>
Total liabilities and fund balance	<u><u>\$ 48,612</u></u>

Economic Development Corporation
Statement of Revenues, Expenditures and Changes in Fund Balance
For The Year Ended December 31, 2006

Revenues:

Federal grants	\$ 14,100
Contributions from local units	65,800
Charges for services	274,030
Interest	<u>2,182</u>

Total revenues 356,112

Expenditures:

Economic development	<u>379,412</u>
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Excess of revenues under expenditures (23,300)

Fund balance, beginning of year 60,745

Fund balance, end of year \$ 37,445

SCHEDULES OF BOND INDEBTEDNESS

Schedule of Bond Indebtedness
Municipal Purchase Notes - Dates July 11, 2002
Summary Schedule*
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2007		3.250%	\$ 24,989	\$ 24,989
9/1/2007	\$ 350,000	3.250%	24,989	374,989
3/1/2008		3.625%	19,301	19,301
9/1/2008	350,000	3.625%	19,301	369,301
3/1/2009		3.600%	12,957	12,957
9/1/2009	365,000	3.600%	12,957	377,957
3/1/2010		3.750%	6,388	6,388
9/1/2010	165,000	3.750%	6,388	171,388
3/1/2011		3.875%	3,294	3,294
9/1/2011	<u>170,000</u>	3.875%	<u>3,294</u>	<u>173,294</u>
	<u>\$ 1,400,000</u>		<u>\$ 133,858</u>	<u>\$ 1,533,858</u>

*Included in this summary are the Jail and Medical Care Facility payment schedules. The detailed schedules follow.

Schedule of Bond Indebtedness
Municipal Purchase Note - Jail Project
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2007		3.250%	\$ 14,424	\$ 14,424
9/1/2007	\$ 150,000	3.250%	14,424	164,424
3/1/2008		3.625%	11,986	11,986
9/1/2008	150,000	3.625%	11,986	161,986
3/1/2009		3.600%	9,267	9,267
9/1/2009	160,000	3.600%	9,267	169,267
3/1/2010		3.750%	6,388	6,388
9/1/2010	165,000	3.750%	6,388	171,388
3/1/2011		3.875%	3,294	3,294
9/1/2011	<u>170,000</u>	3.875%	<u>3,294</u>	<u>173,294</u>
	<u>\$ 795,000</u>		<u>\$ 90,718</u>	<u>\$ 885,718</u>

Schedule of Bond Indebtedness
Municipal Purchase Note - Medical Care Facility
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2007		3.250%	\$ 10,565	\$ 10,565
9/1/2007	\$ 200,000	3.250%	10,565	210,565
3/1/2008		3.625%	7,315	7,315
9/1/2008	200,000	3.625%	7,315	207,315
3/1/2009		3.600%	3,690	3,690
9/1/2009	<u>205,000</u>	<u>3.600%</u>	<u>3,690</u>	<u>208,690</u>
	<u>\$ 605,000</u>		<u>\$ 43,140</u>	<u>\$ 648,140</u>

Schedule of Bond Indebtedness
Colfax Township Sewer System - Series 1988
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2007		5.00%	\$ 750	\$ 750
9/1/2007	\$ 15,000	5.00%	750	15,750
3/1/2008		5.00%	375	375
9/1/2008	<u>15,000</u>	5.00%	<u>375</u>	<u>15,375</u>
	<u>\$ 30,000</u>		<u>\$ 2,250</u>	<u>\$ 32,250</u>

Schedule of Bond Indebtedness
Sebewaing M-25 Water and Sewer System - Dated June 1, 1989
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2007		7.05%	\$ 8,344	\$ 8,344
9/1/2007	\$ 35,000	7.05%	8,344	43,344
3/1/2008		7.05%	7,110	7,110
9/1/2008	40,000	7.05%	7,110	47,110
3/1/2009		7.10%	5,700	5,700
9/1/2009	40,000	7.10%	5,700	45,700
3/1/2010		7.10%	4,280	4,280
9/1/2010	40,000	7.10%	4,280	44,280
3/1/2011		7.15%	2,860	2,860
9/1/2011	40,000	7.15%	2,860	42,860
3/1/2012		7.15%	1,430	1,430
9/1/2012	40,000	7.15%	1,430	41,430
	<u>\$ 235,000</u>		<u>\$ 59,448</u>	<u>\$ 294,448</u>

Schedule of Bond Indebtedness
Sand Beach Township Water System
Improvement Project Bonds - Series 1999
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007		4.85%	\$ 3,031	\$ 3,031
12/1/2007	<u>\$ 125,000</u>	4.85%	<u>3,031</u>	<u>128,031</u>
	<u><u>\$ 125,000</u></u>		<u><u>\$ 6,062</u></u>	<u><u>\$ 131,062</u></u>

**Schedule of Bond Indebtedness
Sand Beach Township Water System
2005 Refunding Bonds
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007		3.25%	\$ 34,006	\$ 34,006
12/1/2007	\$ 500,000	3.25%	34,006	534,006
6/1/2008	135,000	3.00%	25,882	160,882
12/1/2008		3.00%	23,856	23,856
6/1/2009	130,000	3.50%	23,856	153,856
12/1/2009		3.50%	21,581	21,581
6/1/2010	130,000	3.50%	21,581	151,581
12/1/2010		3.50%	19,306	19,306
6/1/2011	130,000	3.75%	19,306	149,306
12/1/2011		3.75%	16,870	16,870
6/1/2012	130,000	3.75%	16,869	146,869
12/1/2012		3.75%	14,431	14,431
6/1/2013	125,000	3.88%	14,431	139,431
12/1/2013		3.88%	12,010	12,010
6/1/2014	125,000	3.70%	12,009	137,009
12/1/2014		3.70%	9,697	9,697
6/1/2015	125,000	3.80%	9,697	134,697
12/1/2015		3.80%	7,322	7,322
6/1/2016	125,000	3.88%	7,322	132,322
12/1/2016		3.88%	4,900	4,900
6/1/2017	125,000	4.00%	4,900	129,900
12/1/2017		4.00%	2,400	2,400
6/1/2018	120,000	4.00%	2,400	122,400
	<u>\$ 1,900,000</u>		<u>\$ 358,638</u>	<u>\$ 2,258,638</u>

Schedule of Bond Indebtedness
Bad Axe Water Supply and Sewage Disposal System - Series A
Dated December 1, 1996
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007		7.125%	\$ 39,481	\$ 39,481
12/1/2007	\$ 50,000	7.125%	39,481	89,481
6/1/2008		4.850%	37,700	37,700
12/1/2008	175,000	4.850%	37,700	212,700
6/1/2009		4.950%	33,456	33,456
12/1/2009	175,000	4.950%	33,456	208,456
6/1/2010		5.000%	29,125	29,125
12/1/2010	200,000	5.000%	29,125	229,125
6/1/2011		5.000%	24,125	24,125
12/1/2011	200,000	5.000%	24,125	224,125
6/1/2012		5.000%	19,125	19,125
12/1/2012	200,000	5.000%	19,125	219,125
6/1/2013		5.000%	14,125	14,125
12/1/2013	200,000	5.000%	14,125	214,125
6/1/2014		5.000%	9,125	9,125
12/1/2014	200,000	5.000%	9,125	209,125
6/1/2015		4.125%	4,125	4,125
12/1/2015	200,000	4.125%	4,125	204,125
	<u>\$ 1,600,000</u>		<u>\$ 420,774</u>	<u>\$ 2,020,774</u>

Schedule of Bond Indebtedness
Bad Axe Water Supply and Sewage Disposal System - Series B
Dated December 1, 1996
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007		4.75%	\$ 4,750	\$ 4,750
12/1/2007	<u>\$ 200,000</u>	4.75%	<u>4,750</u>	<u>204,750</u>
	<u>\$ 200,000</u>		<u>\$ 9,500</u>	<u>\$ 209,500</u>

Schedule of Bond Indebtedness
Bad Axe Sewage Disposal System
Dated July 1, 2006
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
4/1/2007	\$ -	1.625%	\$ 14,828	\$ 14,828
10/1/2007		1.625%	18,872	18,872
4/1/2008	285,000	1.625%	18,872	303,872
10/1/2008		1.625%	16,556	16,556
4/1/2009	290,000	1.625%	16,556	306,556
10/1/2009		1.625%	14,200	14,200
4/1/2010	295,000	1.625%	14,200	309,200
10/1/2010		1.625%	11,803	11,803
4/1/2011	295,000	1.625%	11,803	306,803
10/1/2011		1.625%	9,406	9,406
4/1/2012	300,000	1.625%	9,406	309,406
10/1/2012		1.625%	6,969	6,969
4/1/2013	305,000	1.625%	6,969	311,969
10/1/2013		1.625%	4,491	4,491
4/1/2014	310,000	1.625%	4,491	314,491
10/1/2014		1.625%	1,972	1,972
4/1/2015	242,698	1.625%	1,972	244,670
	<u>\$ 2,322,698</u>		<u>\$ 183,366</u>	<u>\$ 2,506,064</u>

Schedule of Bond Indebtedness
Village of Elkton Water System Improvements Bond - Series 2003
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
4/1/2007		2.125%	\$ 6,974	\$ 6,974
10/1/2007	\$ 30,000	2.125%	6,974	36,974
4/1/2008		2.125%	6,656	6,656
10/1/2008	30,000	2.125%	6,656	36,656
4/1/2009		2.125%	6,337	6,337
10/1/2009	35,000	2.125%	6,337	41,337
4/1/2010		2.125%	5,965	5,965
10/1/2010	35,000	2.125%	5,965	40,965
4/1/2011		2.125%	5,593	5,593
10/1/2011	35,000	2.125%	5,593	40,593
4/1/2012		2.125%	5,221	5,221
10/1/2012	35,000	2.125%	5,221	40,221
4/1/2013		2.125%	4,849	4,849
10/1/2013	35,000	2.125%	4,849	39,849
4/1/2014		2.125%	4,478	4,478
10/1/2014	35,000	2.125%	4,478	39,478
4/1/2015		2.125%	4,106	4,106
10/1/2015	40,000	2.125%	4,106	44,106
4/1/2016		2.125%	3,681	3,681
10/1/2016	40,000	2.125%	3,681	43,681
4/1/2017		2.125%	3,256	3,256
10/1/2017	40,000	2.125%	3,256	43,256
4/1/2018		2.125%	2,831	2,831
10/1/2018	40,000	2.125%	2,831	42,831
4/1/2019		2.125%	2,406	2,406
10/1/2019	40,000	2.125%	2,406	42,406
4/1/2020		2.125%	1,981	1,981
10/1/2020	40,000	2.125%	1,981	41,981
4/1/2021		2.125%	1,556	1,556
10/1/2021	50,000	2.125%	1,556	51,556
4/1/2022		2.125%	1,024	1,024
10/1/2022	50,000	2.125%	1,024	51,024
4/1/2023		2.125%	493	493
10/1/2023	46,418	2.125%	493	46,911
	<u>\$ 656,418</u>		<u>\$ 134,814</u>	<u>\$ 791,232</u>

**Schedule of Bond Indebtedness
Drain Notes Payable
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2007	\$ 286,817	\$ 44,183	\$ 331,000
2008	186,817	31,974	218,791
2009	158,817	22,174	180,991
2010	99,117	13,912	113,029
2011 - 2015	139,765	19,934	159,699
2016 - 2020	<u>24,100</u>	<u>2,504</u>	<u>26,604</u>
	<u>\$ 895,433</u>	<u>\$ 134,681</u>	<u>\$ 1,030,114</u>

* Interest rates on notes issued for various drain projects range from 2.50% to 6.20%.

**Schedule of Bond Indebtedness
Drain Bonds - Bad Axe Drain - Phase I
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	<u>\$ 75,000</u>	6.40%	<u>\$ 2,400</u>	<u>\$ 77,400</u>

Schedule of Bond Indebtedness
Drain Bonds - Bad Axe Drain - Phase II
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 50,000	5.50%	\$ 14,375	\$ 64,375
12/1/2007		5.60%	12,975	12,975
6/1/2008	50,000	5.60%	12,975	62,975
12/1/2008		5.70%	11,550	11,550
6/1/2009	50,000	5.70%	11,550	61,550
12/1/2009		5.80%	10,100	10,100
6/1/2010	50,000	5.80%	10,100	60,100
12/1/2010		5.90%	8,625	8,625
6/1/2011	75,000	5.90%	8,625	83,625
12/1/2011		5.75%	6,469	6,469
6/1/2012	75,000	5.75%	6,469	81,469
12/1/2012		5.75%	4,313	4,313
6/1/2013	75,000	5.75%	4,313	79,313
12/1/2013		5.75%	2,156	2,156
6/1/2014	<u>75,000</u>	5.75%	<u>2,156</u>	<u>77,156</u>
	<u>\$ 500,000</u>		<u>\$ 126,751</u>	<u>\$ 626,751</u>

**Schedule of Bond Indebtedness
Drain Bonds - Cramp Drain
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 30,000	5.70%	\$ 2,610	\$ 32,610
12/1/2007		5.80%	1,755	1,755
6/1/2008	30,000	5.80%	1,755	31,755
12/1/2008		5.90%	885	885
6/1/2009	<u>30,000</u>	5.90%	<u>885</u>	<u>30,885</u>
	<u>\$ 90,000</u>		<u>\$ 7,890</u>	<u>\$ 97,890</u>

**Schedule of Bond Indebtedness
Drain Bonds - Todd Drain
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 35,000	6.60%	\$ 4,725	\$ 39,725
12/1/2007		6.70%	3,570	3,570
6/1/2008	35,000	6.70%	3,570	38,570
12/1/2008		6.80%	2,398	2,398
6/1/2009	35,000	6.80%	2,397	37,397
12/1/2009		6.90%	1,208	1,208
6/1/2010	35,000	6.90%	1,207	36,207
	<u>\$ 140,000</u>		<u>\$ 19,075</u>	<u>\$ 159,075</u>

Schedule of Bond Indebtedness
Drain Bonds - Pitcher Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 40,000	5.00%	\$ 4,750	\$ 44,750
12/1/2007		5.00%	3,750	3,750
6/1/2008	35,000	5.00%	3,750	38,750
12/1/2008		5.00%	2,875	2,875
6/1/2009	40,000	5.00%	2,875	42,875
12/1/2009		5.00%	1,875	1,875
6/1/2010	35,000	5.00%	1,875	36,875
12/1/2010		5.00%	1,000	1,000
6/1/2011	40,000	5.00%	1,000	41,000
	<u>\$ 190,000</u>		<u>\$ 23,750</u>	<u>\$ 213,750</u>

**Schedule of Bond Indebtedness
Drain Bonds - Thompson Drain
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	<u>\$ 40,000</u>	4.90%	<u>\$ 980</u>	<u>\$ 40,980</u>

Schedule of Bond Indebtedness
Drain Bonds - Allen Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 125,000	4.50%	\$ 15,187	\$ 140,187
12/1/2007		4.50%	12,375	12,375
6/1/2008	125,000	4.50%	12,375	137,375
12/1/2008		4.50%	9,563	9,563
6/1/2009	125,000	4.50%	9,562	134,562
12/1/2009		4.50%	6,750	6,750
6/1/2010	100,000	4.50%	6,750	106,750
12/1/2010		4.50%	4,500	4,500
6/1/2011	100,000	4.50%	4,500	104,500
12/1/2011		4.50%	2,250	2,250
6/1/2012	<u>100,000</u>	4.50%	<u>2,250</u>	<u>102,250</u>
	<u>\$ 675,000</u>		<u>\$ 86,062</u>	<u>\$ 761,062</u>

Schedule of Bond Indebtedness
Drain Bonds - Crumback Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 25,000	4.75%	\$ 3,996	\$ 28,996
12/1/2007		4.70%	3,403	3,403
6/1/2008	25,000	4.70%	3,403	28,403
12/1/2008		4.75%	2,815	2,815
6/1/2009	20,000	4.75%	2,815	22,815
12/1/2009		4.80%	2,340	2,340
6/1/2010	25,000	4.80%	2,340	27,340
12/1/2010		4.90%	1,740	1,740
6/1/2011	20,000	4.90%	1,740	21,740
12/1/2011		5.00%	1,250	1,250
6/1/2012	25,000	5.00%	1,250	26,250
12/1/2012		5.00%	625	625
6/1/2013	25,000	5.00%	625	25,625
	<u>\$ 165,000</u>		<u>\$ 28,342</u>	<u>\$ 193,342</u>

Schedule of Bond Indebtedness
Drain Bonds - Schram Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 70,000	4.65%	\$ 11,830	\$ 81,830
12/1/2007		4.70%	10,203	10,203
6/1/2008	70,000	4.70%	10,202	80,202
12/1/2008		4.75%	8,558	8,558
6/1/2009	70,000	4.75%	8,557	78,557
12/1/2009		4.80%	6,895	6,895
6/1/2010	70,000	4.80%	6,895	76,895
12/1/2010		4.90%	5,215	5,215
6/1/2011	70,000	4.90%	5,215	75,215
12/1/2011		5.00%	3,500	3,500
6/1/2012	70,000	5.00%	3,500	73,500
12/1/2012		5.00%	1,750	1,750
6/1/2013	<u>70,000</u>	<u>5.00%</u>	<u>1,750</u>	<u>71,750</u>
	<u>\$ 490,000</u>		<u>\$ 84,070</u>	<u>\$ 574,070</u>

Schedule of Bond Indebtedness
Drain Bonds - Bay Port Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 35,000	4.75%	\$ 10,212	\$ 45,212
12/1/2007		4.75%	9,381	9,381
6/1/2008	35,000	4.75%	9,381	44,381
12/1/2008		4.50%	8,550	8,550
6/1/2009	35,000	4.50%	8,550	43,550
12/1/2009		4.50%	7,763	7,763
6/1/2010	35,000	4.50%	7,762	42,762
12/1/2010		4.50%	6,975	6,975
6/1/2011	35,000	4.50%	6,975	41,975
12/1/2011		4.50%	6,188	6,188
6/1/2012	35,000	4.50%	6,187	41,187
12/1/2012		4.50%	5,400	5,400
6/1/2013	40,000	4.50%	5,400	45,400
12/1/2013		4.50%	4,500	4,500
6/1/2014	40,000	4.50%	4,500	44,500
12/1/2014		4.50%	3,600	3,600
6/1/2015	40,000	4.50%	3,600	43,600
12/1/2015		4.50%	2,700	2,700
6/1/2016	40,000	4.50%	2,700	42,700
12/1/2016		4.50%	1,800	1,800
6/1/2017	40,000	4.50%	1,800	41,800
12/1/2017		4.50%	900	900
6/1/2018	40,000	4.50%	900	40,900
	<u>\$ 450,000</u>		<u>\$ 125,724</u>	<u>\$ 575,724</u>

Schedule of Bond Indebtedness
Drain Bonds - Lincoln Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 35,000	5.05%	\$ 3,640	\$ 38,640
12/1/2007		5.15%	2,756	2,756
6/1/2008	35,000	5.15%	2,756	37,756
12/1/2008		5.25%	1,855	1,855
6/1/2009	35,000	5.25%	1,855	36,855
12/1/2009		5.35%	936	936
6/1/2010	35,000	5.35%	937	35,937
	<u>\$ 140,000</u>		<u>\$ 14,735</u>	<u>\$ 154,735</u>

**Schedule of Bond Indebtedness
Drain Bonds - Shebeon Intercounty Drain
December 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 225,000	5.40%	\$ 24,525	\$ 249,525
12/1/2007		5.45%	18,450	18,450
6/1/2008	225,000	5.45%	18,450	243,450
12/1/2008		5.45%	12,319	12,319
6/1/2009	225,000	5.45%	12,319	237,319
12/1/2009		5.50%	6,188	6,188
6/1/2010	<u>225,000</u>	5.50%	<u>6,187</u>	<u>231,187</u>
	<u>\$ 900,000</u>		<u>\$ 98,438</u>	<u>\$ 998,438</u>

Schedule of Bond Indebtedness
Drain Bonds - Harbor Beach Consolidated Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 50,000	4.75%	\$ 26,737	\$ 76,737
12/1/2007		4.80%	25,550	25,550
6/1/2008	50,000	4.80%	25,550	75,550
12/1/2008		4.85%	24,350	24,350
6/1/2009	75,000	4.85%	24,350	99,350
12/1/2009		4.90%	22,531	22,531
6/1/2010	75,000	4.90%	22,531	97,531
12/1/2010		5.00%	20,694	20,694
6/1/2011	75,000	5.00%	20,694	95,694
12/1/2011		5.10%	18,819	18,819
6/1/2012	75,000	5.10%	18,819	93,819
12/1/2012		5.20%	16,906	16,906
6/1/2013	75,000	5.20%	16,906	91,906
12/1/2013		5.30%	14,956	14,956
6/1/2014	75,000	5.30%	14,956	89,956
12/1/2014		5.35%	12,969	12,969
6/1/2015	75,000	5.35%	12,968	87,968
12/1/2015		5.40%	10,963	10,963
6/1/2016	75,000	5.40%	10,962	85,962
12/1/2016		5.50%	8,938	8,938
6/1/2017	75,000	5.50%	8,937	83,937
12/1/2017		5.50%	6,875	6,875
6/1/2018	75,000	5.50%	6,875	81,875
12/1/2018		5.50%	4,813	4,813
6/1/2019	75,000	5.50%	4,812	79,812
12/1/2019		5.50%	2,750	2,750
6/1/2020	100,000	5.50%	2,750	102,750
	<u>\$ 1,025,000</u>		<u>\$ 408,961</u>	<u>\$ 1,433,961</u>

Schedule of Bond Indebtedness
Drain Bonds - Beaubien Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 50,000	4.95%	\$ 6,312	\$ 56,312
12/1/2007		5.00%	5,075	5,075
6/1/2008	50,000	5.00%	5,075	55,075
12/1/2008		5.05%	3,825	3,825
6/1/2009	50,000	5.05%	3,825	53,825
12/1/2009		5.10%	2,563	2,563
6/1/2010	50,000	5.10%	2,562	52,562
12/1/2010		5.15%	1,288	1,288
6/1/2011	50,000	5.15%	1,287	51,287
	<u>\$ 250,000</u>		<u>\$ 31,812</u>	<u>\$ 281,812</u>

Schedule of Bond Indebtedness
Drain Bonds - Cameron Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 30,000	4.30%	\$ 5,444	\$ 35,444
12/1/2007		4.40%	4,799	4,799
6/1/2008	30,000	4.40%	4,799	34,799
12/1/2008		4.50%	4,139	4,139
6/1/2009	35,000	4.50%	4,139	39,139
12/1/2009		4.60%	3,351	3,351
6/1/2010	35,000	4.60%	3,351	38,351
12/1/2010		4.70%	2,546	2,546
6/1/2011	35,000	4.70%	2,546	37,546
12/1/2011		4.85%	1,724	1,724
6/1/2012	35,000	4.85%	1,724	36,724
12/1/2012		5.00%	875	875
6/1/2013	<u>35,000</u>	5.00%	<u>875</u>	<u>35,875</u>
	<u>\$ 235,000</u>		<u>\$ 40,312</u>	<u>\$ 275,312</u>

Schedule of Bond Indebtedness
Drain Bonds - Taft Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 65,000	3.80%	\$ 8,395	\$ 73,395
12/1/2007		4.00%	7,160	7,160
6/1/2008	65,000	4.00%	7,160	72,160
12/1/2008		4.20%	5,860	5,860
6/1/2009	65,000	4.20%	5,860	70,860
12/1/2009		4.30%	4,495	4,495
6/1/2010	65,000	4.30%	4,495	69,495
12/1/2010		4.40%	3,098	3,098
6/1/2011	70,000	4.40%	3,098	73,098
12/1/2011		4.45%	1,558	1,558
6/1/2012	70,000	4.45%	1,555	71,555
	<u>\$ 400,000</u>		<u>\$ 52,734</u>	<u>\$ 452,734</u>

Schedule of Bond Indebtedness
Drain Bonds - Fillion Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 40,000	3.45%	\$ 8,280	\$ 48,280
12/1/2007		3.45%	7,590	7,590
6/1/2008	40,000	3.45%	7,590	47,590
12/1/2008		3.45%	6,900	6,900
6/1/2009	40,000	3.45%	6,900	46,900
12/1/2009		3.45%	6,210	6,210
6/1/2010	40,000	3.45%	6,210	46,210
12/1/2010		3.45%	5,520	5,520
6/1/2011	40,000	3.45%	5,520	45,520
12/1/2011		3.45%	4,830	4,830
6/1/2012	40,000	3.45%	4,830	44,830
12/1/2012		3.45%	4,140	4,140
6/1/2013	40,000	3.45%	4,140	44,140
12/1/2013		3.45%	3,450	3,450
6/1/2014	40,000	3.45%	3,450	43,450
12/1/2014		3.45%	2,760	2,760
6/1/2015	40,000	3.45%	2,760	42,760
12/1/2015		3.45%	2,070	2,070
6/1/2016	40,000	3.45%	2,070	42,070
12/1/2016		3.45%	1,380	1,380
6/1/2017	40,000	3.45%	1,380	41,380
12/1/2017		3.45%	690	690
6/1/2018	40,000	3.45%	690	40,690
	<u>\$ 480,000</u>		<u>\$ 99,360</u>	<u>\$ 579,360</u>

Schedule of Bond Indebtedness
Drain Bonds - Willow Creek Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 150,000	3.00%	\$ 36,325	\$ 186,325
12/1/2007		3.00%	34,075	34,075
6/1/2008	150,000	3.00%	34,075	184,075
12/1/2008		3.00%	31,825	31,825
6/1/2009	150,000	3.00%	31,825	181,825
12/1/2009		3.00%	29,575	29,575
6/1/2010	150,000	3.00%	29,575	179,575
12/1/2010		3.50%	27,325	27,325
6/1/2011	150,000	3.50%	27,325	177,325
12/1/2011		3.50%	24,700	24,700
6/1/2012	150,000	3.50%	24,700	174,700
12/1/2012		3.50%	22,075	22,075
6/1/2013	150,000	3.50%	22,075	172,075
12/1/2013		3.50%	19,450	19,450
6/1/2014	150,000	3.50%	19,450	169,450
12/1/2014		3.50%	16,825	16,825
6/1/2015	150,000	3.60%	16,825	166,825
12/1/2015		3.60%	14,125	14,125
6/1/2016	150,000	3.70%	14,125	164,125
12/1/2016		3.70%	11,350	11,350
6/1/2017	150,000	3.80%	11,350	161,350
12/1/2017		3.80%	8,500	8,500
6/1/2018	150,000	4.00%	8,500	158,500
12/1/2018		4.00%	5,500	5,500
6/1/2019	150,000	4.00%	5,500	155,500
12/1/2019		4.00%	2,500	2,500
6/1/2020	125,000	4.00%	2,500	127,500
	<u>\$ 2,075,000</u>		<u>\$ 531,975</u>	<u>\$ 2,606,975</u>

Schedule of Bond Indebtedness
Drain Bonds - Cook Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 35,000	3.05%	\$ 7,306	\$ 42,306
12/1/2007		3.05%	6,772	6,772
6/1/2008	35,000	3.20%	6,772	41,772
12/1/2008		3.20%	6,213	6,213
6/1/2009	35,000	3.40%	6,213	41,213
12/1/2009		3.40%	5,618	5,618
6/1/2010	35,000	3.55%	5,618	40,618
12/1/2010		3.55%	4,996	4,996
6/1/2011	35,000	3.70%	4,996	39,996
12/1/2011		3.70%	4,349	4,349
6/1/2012	35,000	3.90%	4,349	39,349
12/1/2012		3.90%	3,666	3,666
6/1/2013	35,000	4.00%	3,666	38,666
12/1/2013		4.00%	2,966	2,966
6/1/2014	35,000	4.10%	2,966	37,966
12/1/2014		4.10%	2,249	2,249
6/1/2015	35,000	4.20%	2,249	37,249
12/1/2015		4.20%	1,514	1,514
6/1/2016	35,000	4.30%	1,514	36,514
12/1/2016		4.30%	761	761
6/1/2017	35,000	4.35%	761	35,761
	<u>\$ 385,000</u>		<u>\$ 85,514</u>	<u>\$ 470,514</u>

Schedule of Bond Indebtedness
Drain Bonds - Sebewaing River Intercounty Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 110,000	2.30%	\$ 14,135	\$ 124,135
12/1/2007		2.70%	12,870	12,870
6/1/2008	110,000	2.70%	12,870	122,870
12/1/2008		3.00%	11,385	11,385
6/1/2009	110,000	3.00%	11,385	121,385
12/1/2009		3.20%	9,735	9,735
6/1/2010	110,000	3.20%	9,735	119,735
12/1/2010		3.40%	7,975	7,975
6/1/2011	110,000	3.40%	7,975	117,975
12/1/2011		3.60%	6,105	6,105
6/1/2012	110,000	3.60%	6,105	116,105
12/1/2012		3.70%	4,125	4,125
6/1/2013	110,000	3.70%	4,125	114,125
12/1/2013		3.80%	2,090	2,090
6/1/2014	110,000	3.80%	2,090	112,090
	<u>\$ 880,000</u>		<u>\$ 122,705</u>	<u>\$ 1,002,705</u>

Schedule of Bond Indebtedness
Drain Bonds - Campau and Branches Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 45,000	3.65%	\$ 14,546	\$ 59,546
12/1/2007		3.70%	13,725	13,725
6/1/2008	45,000	3.70%	13,725	58,725
12/1/2008		3.75%	12,893	12,893
6/1/2009	45,000	3.75%	12,893	57,893
12/1/2009		3.80%	12,049	12,049
6/1/2010	45,000	3.80%	12,049	57,049
12/1/2010		3.85%	11,194	11,194
6/1/2011	45,000	3.85%	11,194	56,194
12/1/2011		3.90%	10,328	10,328
6/1/2012	45,000	3.90%	10,328	55,328
12/1/2012		4.00%	9,450	9,450
6/1/2013	50,000	4.00%	9,450	59,450
12/1/2013		4.05%	8,450	8,450
6/1/2014	50,000	4.05%	8,449	58,449
12/1/2014		4.10%	7,438	7,438
6/1/2015	50,000	4.10%	7,437	57,437
12/1/2015		4.15%	6,413	6,413
6/1/2016	50,000	4.15%	6,412	56,412
12/1/2016		4.20%	5,375	5,375
6/1/2017	50,000	4.20%	5,374	55,374
12/1/2017		4.25%	4,325	4,325
6/1/2018	50,000	4.25%	4,324	54,324
12/1/2018		4.30%	3,263	3,263
6/1/2019	50,000	4.30%	3,262	53,262
12/1/2019		4.35%	2,188	2,188
6/1/2020	50,000	4.35%	2,187	52,187
12/1/2020		4.40%	1,100	1,100
6/1/2021	50,000	4.40%	1,100	51,100
	<u>\$ 720,000</u>		<u>\$ 230,921</u>	<u>\$ 950,921</u>

Schedule of Bond Indebtedness
Drain Bonds - McMullen and Branches Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ 50,000	3.85%	\$ 22,156	\$ 72,156
12/1/2007		3.90%	21,194	21,194
6/1/2008	75,000	3.90%	21,194	96,194
12/1/2008		3.95%	19,731	19,731
6/1/2009	75,000	3.95%	19,731	94,731
12/1/2009		4.00%	18,250	18,250
6/1/2010	75,000	4.00%	18,250	93,250
12/1/2010		4.05%	16,750	16,750
6/1/2011	75,000	4.05%	16,750	91,750
12/1/2011		4.10%	15,231	15,231
6/1/2012	75,000	4.10%	15,231	90,231
12/1/2012		4.15%	13,694	13,694
6/1/2013	75,000	4.15%	13,694	88,694
12/1/2013		4.20%	12,138	12,138
6/1/2014	75,000	4.20%	12,138	87,138
12/1/2014		4.25%	10,563	10,563
6/1/2015	75,000	4.25%	10,563	85,563
12/1/2015		4.30%	8,969	8,969
6/1/2016	75,000	4.30%	8,969	83,969
12/1/2016		4.40%	7,356	7,356
6/1/2017	75,000	4.40%	7,356	82,356
12/1/2017		4.50%	5,706	5,706
6/1/2018	75,000	4.50%	5,705	80,705
12/1/2018		4.55%	4,019	4,019
6/1/2019	75,000	4.55%	4,018	79,018
12/1/2019		4.60%	2,313	2,313
6/1/2020	50,000	4.60%	2,312	52,312
12/1/2020		4.65%	1,163	1,163
6/1/2021	50,000	4.65%	1,162	51,162
	<u>\$ 1,050,000</u>		<u>\$ 336,306</u>	<u>\$ 1,386,306</u>

Schedule of Bond Indebtedness
Drain Bonds - Symons and Branches Drain
December 31, 2006

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2007	\$ -	4.000%	\$ 9,366	\$ 9,366
12/1/2007		4.000%	9,366	9,366
6/1/2008	30,000	4.000%	9,366	39,366
12/1/2008		4.000%	8,766	8,766
6/1/2009	30,000	4.000%	8,766	38,766
12/1/2009		4.000%	8,166	8,166
6/1/2010	30,000	4.000%	8,166	38,166
12/1/2010		4.000%	7,566	7,566
6/1/2011	30,000	4.000%	7,565	37,565
12/1/2011		4.000%	6,966	6,966
6/1/2012	30,000	4.000%	6,966	36,966
12/1/2012		4.000%	6,366	6,366
6/1/2013	30,000	4.000%	6,365	36,365
12/1/2013		4.000%	5,766	5,766
6/1/2014	30,000	4.000%	5,765	35,765
12/1/2014		4.000%	5,166	5,166
6/1/2015	30,000	4.000%	5,165	35,165
12/1/2015		4.000%	4,566	4,566
6/1/2016	30,000	4.000%	4,565	34,565
12/1/2016		4.000%	3,966	3,966
6/1/2017	30,000	4.000%	3,965	33,965
12/1/2017		4.000%	3,366	3,366
6/1/2018	30,000	4.000%	3,365	33,365
12/1/2018		4.000%	2,766	2,766
6/1/2019	30,000	4.000%	2,765	32,765
12/1/2019		4.125%	2,166	2,166
6/1/2020	35,000	4.125%	2,165	37,165
12/1/2020		4.125%	1,444	1,444
6/1/2021	35,000	4.125%	1,443	36,443
12/1/2021		4.125%	722	722
6/1/2022	35,000	4.125%	722	35,722
	<u>\$ 465,000</u>		<u>\$ 163,604</u>	<u>\$ 628,604</u>

**HURON COUNTY
BAD AXE, MICHIGAN**

**SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2006**

Page Number

Single Audit Reports

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HYZER, HILL, KUZAK & CO., P.C.

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1242 Sand Beach Road

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Huron County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise Huron County's basic financial statements and have issued our report thereon dated June 6, 2007. We did not audit the financial statements of the following funds and component units included in the financial statements of Huron County, Michigan:

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	8.82%	29.73%
Huron Transit Funds	Business type activities	15.04%	11.54%
Discretely presented:			
Road Commission	Component units	47.30%	56.87%
Drain Funds	Component units	8.92%	32.32%
Huron Behavioral Health	Component units	33.44%	4.81%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon were furnished to us, and our opinions, insofar as it relates to the amounts included for the above-mentioned funds and component units, are based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huron County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Huron County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Huron County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Huron County's financial statements that is more than inconsequential will not be prevented or detected by Huron County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Huron County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huron County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and the reports of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Huron County in a separate letter dated June 6, 2007. Huron County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Huron County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hoyer, Hill, Hargrave & Co., P.C.

June 6, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Commissioners
Huron County, Michigan

Compliance

We have audited the compliance of Huron County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Huron County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Huron County's management. Our responsibility is to express an opinion on Huron County's compliance based on our audit.

Huron County's basic financial statements include the operations of the Huron Transit, Road Commission and Airport, which received federal awards in the amount of \$1,653,189 which were not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2006. Our audit, described below, did not include the operations of these component units because other auditors were engaged by these entities to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Huron County's compliance with those requirements.

In our opinion, Huron County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Huron County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Huron County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Huron County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by Huron County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Huron County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Our report and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 6, 2007. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise Huron County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the financial statements of the following funds and component units included in the financial statements of Huron County, Michigan:

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	8.82%	29.73%
Huron Transit Funds	Business type activities	15.04%	11.54%
Discretely presented:			
Road Commission	Component units	47.30%	56.87%
Drain Funds	Component units	8.92%	32.32%
Huron Behavioral Health	Component units	33.44%	4.81%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based solely upon the reports of the other auditors.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hoyce, Hill, Hugel & Co P.C.

June 6, 2007

Huron County, Michigan

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
U.S. Dept. of Agriculture				
Special Supplemental Food Program for Women, Infant, Children				
Thumb Area - Michigan Works	10.557	Michigan Dept. of Public Health	09/30/06	\$ 125,651
U.S. Dept. of Agriculture total	10.561	Thumb Area - Michigan Works	09/30/06	8
				125,659
U.S. Department of Justice				
Bulletproof Vest Partnership Program				
U.S. Dept. of Justice total	16.607	Michigan State Police	12/31/06	425
				425
U.S. Dept of Housing and Urban Development				
Housing Rehabilitation				
U.S. Dept. of Housing and Urban Development total	14.228	Mich State Housing Development Authority	09/30/06	54,593
				54,593
U.S. Dept. of Labor				
Employment Services Funds				
WIA Adult Program	17.207	Thumb Area - Michigan Works	09/30/06	18,649
WIA Youth Activities	17.258	Thumb Area - Michigan Works	09/30/06	8,702
WIA Dislocated Workers	17.259	Thumb Area - Michigan Works	09/30/06	1,966
	17.260	Thumb Area - Michigan Works	09/30/06	3,345
U.S. Dept. of Labor total				32,662
National Endowment for the Humanities				
Arts Regranting	45.025	Michigan Council for Arts and Cultural Affairs	12/31/06	700
National Endowment for the Humanities total				700
Small Business Administration				
Small Business Development Grant				
Small Business Administration total	59.037	Michigan SBDC	12/31/06	13,400
				13,400
Environmental Protection Agency				
Beach Monitoring Grant	66.427	State of Michigan	09/30/06	12,279
State Revolving Fund	66.458	State of Michigan	Various	724,360
Non-Community Water - Aresnic Rule Implementation	66.468	State of Michigan	09/30/06	563
Non-Community Water - Operator Certification	66.471	State of Michigan	09/30/06	3,600
Non-Community Water - Operator Certification	66.471	State of Michigan	09/30/05	1,510
Environmental Protection Agency total	66.471 total			5,110
				742,312

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006
(Continued)**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
U.S. Dept. of Health and Human Services				
Family Planning - Services				
Abstinence	93.217	Michigan Dept. of Public Health	09/30/06	\$ 40,917
Immunization Programs	93.235	Michigan Dept. of Public Health	09/30/06	42,500
Bioterrorism	93.268	Michigan Dept. of Public Health	09/30/06	154,907
Pandemic flu	93.283	Michigan Dept. of Public Health	09/30/06	177,507
Chronic Disease and Health Prevention - Wise Woman Program	93.283	Michigan Dept. of Public Health	09/30/06	23,708
Chronic Disease and Health Prevention - Breast and Cervical Cancer	93.283	Michigan Dept. of Public Health	09/30/06	27,833
	93.283 total		09/30/06	163,200
				<u>392,248</u>
Temporary Assistance for Needy Families 0-3	93.558	Michigan Childrens Trust Fund	09/30/06	48,479
Temporary Assistance for Needy Families 0-3	93.558	Michigan Dept. of Public Health	09/30/06	4,500
Temporary Assistance for Needy Families	93.558	Thumb Area - Michigan Works	09/30/06	16,726
	93.558 total			<u>69,705</u>
IV-D Friend of the Court CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/06	152,325
IV-D Friend of the Court CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/07	49,747
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/04	17,873
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/05	9,581
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/06	9,110
IV-D Prosecuting Attorney CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/05	15,668
IV-D Prosecuting Attorney CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/06	6,355
	93.563 total			<u>260,659</u>
Medical Assistance Program- Case Management Services	93.778	Michigan Dept. of Public Health	09/30/06	10,459
Maternal & Child Health Svcs Block Grt - Immunizations	93.994	Michigan Dept. of Public Health	09/30/06	1,000
Maternal & Child Health Svcs Block Grt - Family Planning	93.994	Michigan Dept. of Public Health	09/30/06	8,238
Maternal & Child Health Svcs Block Grt - Maternal Infant Support	93.994	Michigan Dept. of Public Health	09/30/06	28,796
Maternal & Child Health Svcs Block Grt - CSHCS	93.994	Michigan Dept. of Public Health	09/30/06	17,931
	93.994 total			<u>55,965</u>
Strong Families/Safe Children	93.556	Michigan Dept. of Human Services	09/30/06	18,544
<i>U.S. Dept. of Health and Human Services total</i>				<u>1,045,904</u>

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006
(Continued)**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
Department of Homeland Security				
Hazard Mitigation Planning FEM 1346	97.039	Michigan State Police	09/30/06	\$ 8,000
2005 Homeland Security Grant Program - SHSP Equipment	97.067	Michigan State Police	09/30/06	13,536
Homeland Security Grant Program - Emergency Services	97.067	Michigan State Police	09/30/06	14,240
2005 Homeland Security Grant Program - LETPP Equipment	97.067	Michigan State Police	09/30/06	2,925
	97.067 total			<u>30,701</u>
2004 Homeland Security Grant Program - Interoperable Communications Equipment	97.004	Michigan State Police	09/30/06	22,000
	97.004 total			<u>22,000</u>
<i>Department of Homeland Security total</i>				<u>60,701</u>
Grand total				<u><u>\$2,076,356</u></u>

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Huron County were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Huron County, expresses an unqualified opinion.
6. The auditor's report disclosed no instances of findings relative to the major federal award programs.
7. The programs tested as major federal award programs included:

<u>Program</u>	<u>CFDA #</u>
State Revolving Fund	66.458
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Huron County did qualify as a low risk auditee.

B. Findings - Financial Statements AuditCriteria

Governments are required to establish internal controls over processing, recording and summarizing accounting data. As a result of these controls, the government should be able to prepare financial statements in accordance with GAAP.

Condition

The County has relied on its independent external auditors to assist in processing, recording and summarizing of certain financial data as part of its external reporting process. The external auditors cannot be considered a part of the County's internal control system.

Cause and Effect

The County believes that it is cost effective to rely on its external auditors to recommend these adjusting journal entries. Therefore, the County lacks internal control over the processing, recording and summarizing of accounting data.

County Views

County management has determined that it is in the County's best interest to rely on its external auditors to recommend adjustments of these types.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award programs for the year ended December 31, 2006.

D. Summary Schedule of Prior Audit Findings

No prior audit findings.

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Huron County and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Subrecipients

Huron County provided awards to subrecipients as presented below. These amounts are included in the federal expenditures in the schedule.

<u>Program Title</u>	<u>Amount Provided Federal CFDA #</u>	<u>To Subrecipient</u>
State Revolving Fund	66.458	\$ 724,360
Housing Rehabilitation	14.228	\$ 54,493

3. Reconciliation to financial statements

Reconciliation to Financial Statements

Federal revenue reported in combined financials:	
Governmental funds	\$ 1,605,753
Huron Transit - Proprietary funds	438,168
EDC - Discretely presented component unit	14,100
Road Commission - Discretely presented component unit	979,534
DPW - Discretely presented component unit	
Loan funds considered assistance	<u>724,360</u>
Subtotal	3,761,915
Less funds in above data audited by other auditors:	
Airport Fund	(235,487)
Huron Transit	(438,168)
Road Commission	<u>(979,534)</u>
Subtotal	(1,653,189)
Less adjustment of federal content	(3,268)
Less 2005 federal expenditures recorded as 2006 revenues	<u>(29,102)</u>
	<u>(32,370)</u>
Federal revenue per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,076,356</u></u>

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Bruce Hill
Donald Kuzak
Michael Doerr

June 6, 2007

Board of Commissioners
Huron County, Michigan
Bad Axe, MI 48413

In planning and performing our audit of the financial statements of Huron County, as of and for the year ended December 31, 2006, we considered the County's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the County and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 6, 2007 on the financial statements of Huron County.

We have already discussed these comments and suggestions with the Huron County personnel, and we will be pleased to discuss them in further detail at your convenience, and or to perform any additional studies of these matters, should you so desire.

Sincerely,

A handwritten signature in cursive script that reads "Hyzer, Hill, Kuzak & Co. P.C.".

Hyzer, Hill, Kuzak & Co., P. C.

HURON COUNTY MANAGEMENT LETTER
DECEMBER 31, 2006

Subrecipient monitoring

Criteria

The County receives annual federal funding for Housing Rehabilitation programs and remits these funds to the Human Development Commission. The County DPW funds occasionally receive federal funds for water or sewer projects on behalf of other local governments within the County. These funds are also remitted to the other governments. In each case, the County acts as a “pass through entity” and the governments or entities receiving and spending the funds are the “subrecipient”.

As a pass through entity, the County has the following responsibilities:

- Identifying the federal awards and informing the subrecipient of CFDA title, award name, number and federal agency.
- Advising subrecipients of federal requirements.
- Monitoring subrecipients activities to ensure that federal awards are used for authorized purposes.
- Ensuring that subrecipients expending \$500,000 or more in federal awards have met the audit requirements of Circular A-133.
- Other requirements.

Condition

At present, the Housing Rehabilitation program is monitored for compliance by the Building Department Head (Russ Lundberg). However, grant audit reports performed by the Human Development Commission auditors are not made available to Mr. Lundberg.

DPW grant funds are monitored by the County Treasurer who also performs adequate testing and review of grant expenditures. However, she does not as a matter of practice request the subrecipient to submit its A-133 audits to the County. The Treasurer should obtain copies of these audits and review them for any non-compliance noted.

Cause and Effect

The County Treasurer was unaware of the need to document her monitoring procedures and to share subrecipient audit information with the Building Department Head. We read these reports and found no reported non-compliance with federal regulations.